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World Business Newspaper — MONDAY MARCH 13 1995 — D8523A

London's status as financial centre 'is not in danger'

The City of London's status as a pre-eminent international financial centre is not in danger and may even be enhanced by European integration, according to a London Business School study out today. It argues that greater integration of the European economies "is likely to create pressures for financial services to become more concentrated in London". But the report highlights public transport as a weakness and suggests a possible special levy on City businesses to help pay for improvements. Page 16; Still growing, Page 15

Major's anger at Clinton: British prime minister John Major implicitly criticised US President Bill Clinton over his decision to meet Sinn Féin leader Gerry Adams. On a visit to Israel, Mr Major contrasted former terrorist leader and PLO chairman Yassir Arafat and Mr Adams, saying:"Terrorism has now been renounced by Chairman Arafat. I have not seen it comprehensively denounced by Mr Adams." Page 7

Tudjman relents: Croatian president Franjo Tudjman said UN peacekeeping troops could stay until a new mandate was worked out for a reduced UN presence in the former Yugoslav republic. Earlier, in Sarajevo, a bullet narrowly missed the head of a passenger when it pierced the fuselage of an aircraft carrying UN envoy Yasushi Akashi. Page 3

Fishing row grows: Thousands of Newfoundlanders, jobless because of dwindling fish stocks, gathered to back Canada's seizure of a Spanish trawler accused of overfishing in the Atlantic. In Europe, Spanish prime minister Felipe González demanded the immediate release of the boat. Page 5

Soap sponsor goes into TV: US consumer products group Procter & Gamble is going into big-time US television programme making alongside such companies as Walt Disney, Viacom and Time Warner. Page 16

Rover Group: The UK car maker is to expand its engineering facilities as a prelude to launching more new products than envisaged when it was taken over by Germany's BMW last year. Spending on the projects and upgraded production is expected to reach nearly £2bn ($3.16bn) by 2000. Page 7

Kazakhstan in constitutional crisis: Kazakh deputies accused president Nursultan Nazarbayev of dictatorship as he dissolved the former Soviet republic's parliament and said he would rule by decree pending fresh elections.

Trafalgar House, the UK engineering group which abandoned its £1.23bn ($2bn) bid for Northern Electric on Friday, is understood to have the support of about 35 per cent of the British utility's shareholders for a lower offer. Page 17

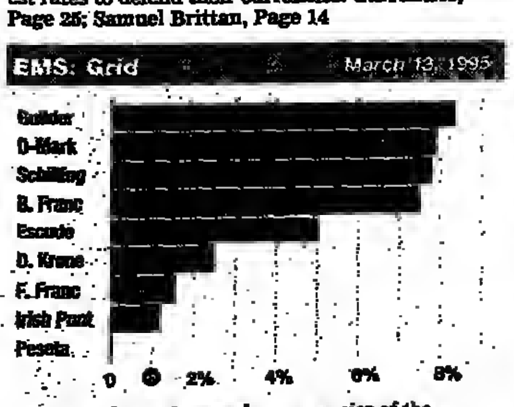
Testing for bugs: US computer software giant Microsoft will sell more than 400,000 test versions of its latest windows product this month to eliminate any bugs before an official launch planned for August. The new operating system, Windows95, will replace the existing MS-DOS and Windows 3.1.

Indian wedding tragedy: Almost 50 people were killed south west of Madras when a wedding party of peasants on a tractor-triler collided with a bus and a chemical tanker which burst into flames.

Policeman charged over antiques: A British policeman and two antiques dealers have been charged in London with importing stolen antiquities from Egypt and China. The charges followed an investigation in co-operation with Egyptian authorities worried by the looting of treasures from tombs.

European Monetary System: The spread between strongest and weakest currencies in the EMS grid has shrunk from just over 10 per cent to about 8 per cent since the 7 per cent devaluation of the peseta and the 3½ per cent devaluation of the escudo eight days ago. A turbulent week on the foreign exchanges saw the D-Mark gain ground, while the French and Belgian francs, Irish punt and Danish krone fell back. All these countries raised interest rates to defend their currencies. Currencies, Page 25; Samuel Brittan, Page 14

EMS: Grid — March 13, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Alcatel in crisis talks after chief barred from office

By John Ridding in Paris

Alcatel Alsthom, the French industrial group, is to hold a crisis board meeting this morning to plan its response to a magistrate's order barring Mr Pierre Suard, chairman and chief executive, from office.

The company will ask for its shares to be suspended until after the meeting.

Mr Suard, one of France's most prominent industrialists, was placed under formal investigation on Friday by a magistrate probing allegations that Alcatel over-billed France Télécom, one of its principal clients.

Pending the inquiry, which has no time limit, the Alcatel chairman has been banned from contacting staff at the group. Mr Suard is due to be questioned again tomorrow by Mr Jean-Marie D'Huy, the magistrate heading the investigation. Neither the company nor judicial officials were able to comment on the nature of the interview.

Alcatel said Mr Suard, 60, would oot resign. "There is no question. It is not in his nature," said Mr François de Laage de Meux, managing director. He said he expected the board to give a full vote of confidence in the chairman and indicated that the meeting was unlikely to appoint an interim chief executive.

Friday's decision, one of the toughest to be handed out in a spate of corruption investigations into French business and political leaders, is the latest setback for Alcatel Alsthom, the telecoms, transport and engineering concern. It coincides with e fall in profits and other legal investigations, including a probe into whether company funds were used illicitly for building and security work at Mr Suard's properties.

Last year, Alcatel's share price fell by about half, reflecting the decline in profits and concerns about the investigations.

Alcatel has denied any wrongdoing and has rejected allegations thet its Alcatel-CIT subsidiary overcharged France Télécom for equipment. Mr de Laage de Meux claimed at the weekend that the group was the victim of a campaign of destabilisation and had received information that a foreign rival was involved.

According to Mr de Laage de Meux, a British consultancy group had sent Alcatel a letter in November last year claiming that the French company was the victim of industrial espionage and a destabilisation campaign. The letter cited a $3bn contract in Saudi Arabia in 1994 as one of the cases where the rival had sought to undermine Alcatel's offer.

Alcatel declined to name the British company or the rival in question bnt said that it had asked the French authorities to investigate. Alcatel also confirmed that Mr Suard had paid FFr30,000 ($6,000) to a French intelligence official to help investigate the claims.

The investigations into Alcatel are politically sensitive because of Mr Suard's links with Mr Edouard Balladur, the French prime minister and presidential candidate. In 1986, Mr Balladur appointed Mr Suard as chairman of Compagnie Générale d'Electricité, the state-owned group which was privatised in 1987 and renamed Alcatel Alsthom in 1991.

French business shocked, Page 2

Baghdad will open oilfields to foreign companies

By Robert Corzine in Baghdad

Iraq will allow foreign companies to develop some of the world's largest oilfields once United Nations sanctions against the country are lifted.

Iraqi officials told a gathering of international oil company executives in Baghdad yesterday that about 30 fields would be open to foreign participation. They include four "super giant" fields in southern Iraq which together could produce about 2m barrels of oil a day, just under total UK North Sea output.

Discussions have taken place on developing 10 fields, according to Iraqi officials.

On Saturday Mr Safa Hadi Jawad, oil minister, said Iraq – which has the world's largest reserves after Saudi Arabia – needed to develop its fields fast to raise money for reconstruction.

Mr Jawad, dressed in military uniform and speaking next to a large portrait of President Saddam Hussein, said: "We need the support, partnership and understanding of the international oil industry."

If the policy takes effect, Iraq will be the first big Middle Eastern oil producer to open its energy reserves to foreign companies on such a large scale.

Iraqi officials estimate that the development of the fields will cost $25bn in the first eight to 10 years after the lifting of sanctions. An additional $5bn will be needed to build new refineries.

The proposed expansion will take Iraq's production capacity from 2.6m barrels a day to 6m.

Western exectives welcomed

Continued on Page 16

Wide-ranging deal will improve access for American companies

US backs China as member of trade body

By Tony Walker in Beijing

The US pledged active support for China's bid to join the World Trade Organisation as a founder member yesterday after a wide-ranging agreement to improve access for American companies and exports to the Chinese market.

The agreement represents a further significant breakthrough in Sino-US trade relations. It follows last month's landmark deal to counter copyright abuses and open China to US entertainment and information products.

Mr Mickey Kantor, US trade representative, said US negotiators would edopt a "flexible, pragmatic and realistic" approach in discussions on China's WTO membership application. His remarks indicated heightened US support for China's WTO aspirations.

"The US will support China's accession to the World Trade Organisation as a founding member," Mr Kantor said in Beijing. "We have also agreed that both countries in negotiations will exhibit a positive attitude in recognition of our growing relationship."

China had complained bitterly about US attempts to "obstruct" its entry to the WTO. It had demanded that the US and its fellow WTO members should drop their "exorbitant" demands on such issues as market access, tariff reductions and removal of quota restrictions.

Beijing had in effect frozen its application to join the WTO, but is now expected to return soon to the negotiating table in Geneva. Active US backing for China's entry to the WTO should facilitate agreement, although much detailed work remains to be done.

Ms Wn Yi, China's foreign trade minister, said after a four-hour meeting with Mr Kantor that the two sides had a "good opportunity to stabilise and improve" their overall relationship.

Among the main points of the agreement struck by Mr Kantor and Ms Wu were:

● The US would look sympathetically on China's demand to be regarded as a developing country in WTO negotiations. That will enable Beijing to secure more flexible terms for entry.

● China agreed to resume implementation of its October 1992 market access agreement with the US. It suspended implementation last year in protest at what it regarded as the US role in blocking its WTO entry.

● The two sides agreed to begin negotiations on improved access to China for US telecommunications companies and for the insurance industry. They also agreed to implement a letter of intent aimed at facilitating access for American agricultural products to China.

● Mr Kantor pledged that he would become involved personally in efforts to secure China's WTO entry.

China announced last year that it would not make further concessions to secure accession to the WTO, which came into existence in January. But the new agreement indicates that Beijing may be prepared to exhibit greater flexibility in order to become a founder member, which it can do retroactively.

Gatt contracting parties, led by the US, rejected outright China's initial WTO bid, saying its market liberalisation offers were inadequate. US trade officials indicated that although they were not prepared to accept across the board China's demand to be regarded as a developing country, they would decide on a category-by-category basis.

Reuter

Wu Yi, China's foreign trade minister, greets US trade representative Mickey Kantor in Beijing yesterday

Clinton seeks approval for new World Bank president

By Jurek Martin and George Graham in Washington

World Bank ehareholder countries are expected to give quick approval to President Bill Clinton's choice of Mr James Wolfensohn to succeed Mr Lewis Preston as the bank's president.

Executive directors representing member countries will meet this morning to discuss the appointment, and approval could come within a week for the post, which traditionally has been within the US's gift.

Mr Clinton said Mr Wolfensohn, 61, an Australian-born investment banker who also chairs the Kennedy Center, Washington's principal music and theatre complex, had a "long-standing, broad and active interest in the developing world and development issues", and could serve as "a forceful advocate for the bank".

Mr Robert Rubin, US Treasury secretary, added that Mr Wolfensohn had the right characteristics to meet the World Bank's "core mission of combating poverty and providing economic opportunity for the poorest regions of the world".

The World Bank lent a total of $20.8bn last year to developing countries, including $6.6hn in subsidised loans to the poorest nations through its International Development Association affiliate. Critics complain, however, thet it has had difficulty adjusting from its old role of financing large infrastructure projects to new missions in social and environmental fields.

■ Page 14: Renaissance man gets the nod

■ Page 15: Editorial Comment

Mr Wolfensohn won the job after a 90 minute meeting with Mr Clinton and Vice-President Al Gore last Thursday, in which he convinced the president that he could bring rigour and focus to the bank, which has come under fire in recent years from critics of its environmental, development and private sector policies. Its hureaucratic complexities and comfortable pay scales have also been attacked.

In spite of the endorsement of Mr Gore, who generally has won applause from environmentalists, non-governmental organisations have criticised Mr Wolfensohn as just another Wall Street banker.

"We are deeply disappointed that the Clinton administration turned to the same narrow pool of bankers and political figures as its predecessors did," said Ms Juliette Majot, of the International Rivers Network, a California-based environmental lobby group.

Other development activists criticised Mr Wolfensohn's lack of direct development experience, although his supporters say that he has more than 30 years' involvement in environmental, population and developmental charitable causes.

Mr Preston, a former head of J.P. Morgan, the investment bank, is resigning because of throat cancer nearly two years before his five-year term was due to end.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	SK60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.60	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

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Mexico bail-out, World Trade Organisation candidates and aviation pacts prove post-cold war irritants

Niggling trade disputes threaten US-EU relationship

By Lionel Barber in Brussels

Relations between the European Union and tbe US are entering a sticky, potentially dangerous patch as both sides struggle to contain niggling trade disputes and the dislocation caused by the end of the cold war.

The latest spats centre on deadlocked negotiations over a suitable candidate to head the new World Trade Organisation; lingering European resentment at being called up at short notice to join in the Mexico bail-out; and a row over US efforts to conclude bilateral aviation pacts with saveral small EU member etates.

However, other disputes are looming over US-led efforts to speed the enlargement of the Nato alliance to east Europe, which many western European governments fear could provoke Russia. Moreover, the risk of renewed fighting in Bosnia and the lifting of the UN arms embargo is the single biggest threat to the alliance.

"Relations have not been so bad for decades, and without serious changes it is unlikely that they are going to get better anytime soon," wrote Mr Robert Blackwill, a former senior Bush administration official, in the Frankfurter Allgemeine Zeitung.

Mr Blackwill, who advocates a firm timetable for Nato enlargement to the Czech Republic, Poland, and Hungary by 1999, accused western European governments of succumbing to an "island mentality". But Europeans have often levelled similar charges at the Clinton administration over its inconsistent foreign policy and its focus on domestic problems.

"There is a growth of backyardism," says Professor Miles Kahler of the University of San Diego, who has just completed a paper on US-Europe at the Council of Foreign Relations, a New York think-tank. "Europeans look at Mexico and say it is an American crisis, not a systemic crisis. Americans look at Bosnia and say that it's a European problem."

Sensing the potential for conflict, a number of politicians, academics and business leaders on both sides of the Atlantic are exploring the possibility of a new deal to reinforce the political and military ties which have underpinned security in Europe since 1945.

Mr Jacques Santer, president of the European Commission, called in his inaugural speech to the European Parliament last January for a "genuine transatlantic treaty", possibly including a transatlantic single market. Others have spoken, tentatively, of a new security treaty involving Nato, the EU, and the West European Union, the EU's fledgling defence arm.

Yet there is little consensus on the scope or contents of such a deal. Tempting though a "quick fix" may be, most new-fangled ideas such as a transatlantic free trade area or a new defence treaty grow fuzzy on examination.

It is unclear that the WTO would countenance a free trade zone between Europe and the US, especially if it excluded important sectors such as agriculture. A genuine free trade area would also wipe out the US textile industry, says one Commission official.

A new political treaty between the EU and US would bave to embrace defence to be credible. Yet Britain, the main defence power alongside France, has no desire to challenge the primacy of the Nato alliance, despite its recent proposals to upgrade the WEU.

Hopes of building a "new European security architecture" will have to wait until the outcome of the 1996 intergovernmental conference to review the Maastricbt treaty. Only after this will it be clear whether a vanguard of states led by France and Germany intend to proceed faster to a single currency, with corresponding deeper political integration; at present, 1999 looks more likely, though by no means certain.

In the sbort term, therefore, the European Union is likely to remain an uneasy partner for the US: a multiple personality divided between its 15 constituent member states and the European Commission, which enjoys limited supranational powers and chief responsibility for trade.

The temptation will be for the US to bypass Brussels and deal direct with the member states. This is precisely what has happened in the dispute over "open skies" air transport agreements between Washington and Brussels.

Mr Neil Kinnock, EU transport commissioner, is irritated with the US for seeking to pick off smaller member states but he is even angrier with these member states for succumbing to US blandishments.

Third time may be lucky for Chirac in presidential race

John Ridding on how Paris' mayor unexpectedly took the lead

The be-bop jazz faded into a rbythmic hand clap as Mr Jacques Chirac entered the hall. But there was no sign of the blues as the Gaullist mayor of Paris and presidential hopeful bounced through the throng of supporters at an election rally.

The spring in his step is easy to explain. After defeats in the 1981 and 1988 presidential contests, it could be third time lucky for Mr Chirac. Opinion polls over the past few weeks have confirmed a surge in support for him and now predict he will secure a clear victory in the April/May elections. Mr Edouard Balladur, the prime minister and erstwhile favourite to succeed President François Mitterrand, has been left trailing by his Gaullist rival.

Mr Chirac, until recently the laggard in the polls, is careful not to blow his own trumpet. "What counts is how the voters vote on election day," be said while campaigning in Besançon in eastern France.

Such caution is justified. There are six weeks to go in a presidential race already characterised by abrupt twists, scandals and intrigues. If the polls sbow him ahead at the moment, they also show that up to 50 per cent of voters have yet to make up their minds. But despite these caveats, the resurgence of Mr Chirac needs explanation. How has he shed the mantle of an also-ran and what is his message to the electorate?

Crunch time is near: Chirac is offered an apple by a supporter while campaigning at the weekend AP

On the first count, Mr Chirac has clearly benefited from the stumbles of Mr Balladur. The aloof, patrician prime minister has failed to inspire voters with his "more of the same" platform. A U-turn on a controversial educational reform and a bugging scandal which implicated his office in authorisation of an illicit wire-tap, have compounded Mr Balladur's problems and prompted a sharp decline in his support.

But the premier's pitfalls are only part of the explanation. Mr Chirac has been able to capitalise because of his more dynamic programme, some skilful image building, and energetic campaigning. "He is at home on the campaign trail," says Mr Jean-Luc Parodi, professor at Science Po, the political science institute. "Unlike Mr Balladur, he is a political animal."

Mr Chirac's instincts prompted him to change his style and broaden his appeal. He has sought to distance himself from a reputation as a strident rigbt-winger. Instead he has developed a measured, presidential manner and a message of social concern. "Our society is fractured, we must ensure equality of opportunity," he told his audience last week. More surprising stunts have included a public statement in support of squatters.

Not surprisingly, the "new Chirac" has drawn ridicule. Cartoonists dress him in workers' clothes or depict him drinking with beggars. But tbe shift appears to have drawn voters. "He has got more support from centrists and even from those who may have voted for the left," says one Paris university professor. Last week's announcement by Mr Charles Millon, the parliamentary leader of the centre-right UDF, that he would throw his support behind Mr Chirac was a clear sign of his broader appeal and of the momentum his bandwagon is gaining.

The broadening of his support is not without risks. Mr Lionel Jospin, the Socialist candidate who last week unveiled a strongly left-wing programme, bas condemned his Gaullist rival for insincerity and opportunism in his overtures to the underprivileged. "It is useful for Mr Chirac to appear as all things to all people," says the head of one polling institute. "But it provides a target for opponents to exploit."

It also complicates his policy statements. Mr Chirac stresses the priority he attaches to reducing the ranks of France's 3.3m unemployed. Measures proposed include a monthly payment of FFr2,000 (£244) to companies for eacb long-term job-seeker they hire. But he also says he will sharply reduce the public sector deficit, forecast this year to be 4.6 per cent of gross domestic product, and will prepare France to satisfy the criteria for European monetary union. "He bas been rather quiet on how he intends to square the circle of fiscal stimulus and budgetary rigour," says one French economist.

The team of allies Mr Chirac has grouped around him adds to the uncertainty. Mr Alain Madelin, minister for small business and Mr Chirac's main economic spokesman, sounds almost Thatcherite in his emphasis on supply-side economics. "We must free business from its constraints and get rid of textual harassment," he declared last week.

At Mr Chirac's other elbow, however, is Mr Philippe Séguin, the chain-smoking president of the National Assembly. In line with many hard-core Gaullists, Mr Séguin is opposed to European monetary union and advocates interventionist measures to reduce unemployment. He has also suggested that France's scandal-tainted water utilities be nationalised.

The mixed signals from Mr Chirac and his camp have prompted concerns among foreign investors, contributing to the fragility of the French franc. But many are increasingly sanguine about the possibility of a Chirac victory. "You have to remember that he was economically a fairly rigorous prime minister when Mr Balladur was finance minister," says the chief economist at one merchant bank. "He is, above all a pragmatist."

For the forthcoming elections such pragmatism means spreading his net as widely as possible. The logic of the two-round French electoral system and the dominance of the right means that the conservative candidate who makes it to the May 7 run-off is very likely to be president. If two conservative candidates are left standing at the showdown, the winner will be the one with the broadest appeal across the political spectrum.

Brutal finale: see This Week pages

French business shocked by probe into Alcatel chief

Action points to growing judicial assertiveness and raises questions about group's practices, reports **John Ridding**

Mr Pierre Suard will not be among the Parisians heading back to work thia morning after the weekend break. On Friday evening the chairman and chief executive of Alcatel Alsthom was placed under formal investigation in a widening fraud inquiry and barred from exercising his functions at the powerful French industrial group.

The ruling by Mr Jean-Marie D'Huy, the magistrate heading an investigation into alleged overbilling of France Télécom, sent shock waves through the company and the Frencb business community. The Alcatel chief, appointed in 1986 by Mr Edouard Balladur, then finance minister and now prime minister, has become one of the country's most powerful industrialists, guiding the group into the private sector and huilding the telecoms, transport and engineering concern into France's third biggest company.

His plight is the most dramatic in a spate of high-profile corruption investigations over the past 18 months, which have demonstrated the increased assertiveness of tbe judiciary towards France's business and political elite. It raises important questions about the powers of the French judiciary in the business sector, but also about the practices at the group and its relationship with France Telecom.

Most immediately, this latest and hardest blow to Alcatel, which is already reeling from declining profits, raises the question of whether the industrial champion can rise from the ropes.

These questions have their roots in a complex series of judicial probes and allegations of industrial espionage. The latest events can be traced back to the 1993 sacking of two employees of Alcatel-CIT, the telecoms equipment subsidiary. They were accused by the group of defrauding France Télécom through a system of false invoicing.

The two employees, bowever, retaliated with claims that the company itself operated a system of overbilling France Télécom. They also alleged that senior group executives, including Mr Suard, had work done at their private residences at Alcatel's expense.

Mr D'Huy took up the allegations and questioned Mr Suard about the work done at his properties. Last July, after 12 hours of interrogation, he placed Mr Suard under formal investigation in this inquiry, though not for the overbilling. The Alcatel chief was released on FFr1m (£122,000) bail.

Alcatel's legal ordeal, however, was far from over. At the end of last year the cases were revived with the arrest and two-week imprisonment of Mr Pierre Guichet, the chairman of Alcatel-CIT, wbo resigned from his post in December. Then, earlier this year, Mr Denis Gazeau, a former accountant at Alcatel-CIT and a witness in the overbilling case, claimed he was under surveillance organised by Alcatel.

On Friday, Mr Suard was called before Mr D'Huy and formally placed under investigation in the allegations of overbilling and a broader inquiry into work done at his properties.

He bas been banned from contacting Alcatel's management pending the investigation.

Amid this flurry of allegations and despite the obvious concerns of Mr D'Huy, Alcatel has constantly denied any wrongdoing. "There was never any overcharging of France Télécom. Such claims are absolutely erroneous," Mr François de Laage de Meux, the managing director, reaffirmed at the weekend.

Alcatel claims that the equipment sold to France Télécom was cheaper than that offered by rivals and that the allegations of overcharging, reported to exceed FFr700m, were based on a misunderstanding of its accounting procedures and the incorporation of research costs. As for the work at Mr Suard's properties, including kitchen refurbisbment and the installation of a security device, both the company and its chairman reject allegations of malpractice.

For Alcatel, the common theme behind the allegations is an attempt to damage the group. "The company is the victim of a hostile campaign," said Mr Suard last month.

With France's spring presidential elections looming, some observers have suggested a political motive behind such a campaign. Not only

ALCATEL ALSTHOM

was Mr Suard appointed by Mr Balladur, but the premier and presidential candidate was also the chairman of a former subsidiary of Alcatel Alsthom when it was known as Compagnie Générale d'Electricité. Mr Balladur later worked as an adviser for this former subsidiary, a computer group, earning FFr100,000 a month between 1988 and 1993.

The fierce battle for the presidency and the resulting political hiatus has enabled magistrates to take a more aggressive stance. . Some observers see Mr Suard's travails as part of a broader attack on the cosy relationships between France's business elite, government and the public sector. "Yon can interpret this as an assault on the Frencb system of links between business and state and the removal of the immunity of the elite," says one Paris politics professor.

Alcatel believes its trials stem from a foreign industry rival and disgruntled former employees. Mr de Laage de Meux said Alcatel had been told that a foreign competitor was engaged in industrial espionage and sought to destabilise the French group in an attempt to win contracts. "We have asked the French authorities to investigate," he said.

Whatever the truth, the affair has raised questions about probes into French business and the impact on Alcatel'e image and operations. The group believes it has suffered from the methods of the judiciary, expressing "indignation at the surprising severity and arbitrary nature of the measures taken".

Sucb concerns strike a chord in many French companies, already shaken by investigations into some of France's biggest business groups, such as Saint Gobain and Cogedim . "Magistrates have always been powerful," says the finance director of one industrial group. "What is new is that they have lost their inhibitions about pursuing industrialists and politicians. That may be a good thing. But there are fears that they are attacking a system rather than pursuing justice."

An official at one magistrates' union denies any concerted moves to target business. "Magistrates are just doing their job," be says. "Corruption in business has been rife in France so it is not surprising that there have been some big cases."

If the relationship between business and the judiciary is now in the halance, so are the prospects for Alcatel.

At the weekend, the group sought to play down concern about the damage to its image arising from the investigations and about the impact of Mr Suard's isolation.

"We have a strong organisation which will keep things running smoothly during Mr Suard's absence," said Mr de Laage de Meux, rejecting the idea that the chairman would step down. He said the technological trumps beld hy the company, from broadband telecoms switching systems to power generation, would allow it to maintain its stream of contracts.

Despite its business strengths, the loss of Mr Suard, even if temporary, cannot easily be dismissed. The chairman has been the strategist at Alcatel, expanding its operations through a series of acquisitions and mergers. Deprived of Mr Suard, there is a risk that the company will drift.

This is a particular danger at a time wben the group is struggling to adapt to worrying shifts in some of its main markets. In Germany, a move to open tendering by Deutsche Telekom prompted a sharp fall in telecoms equipment prices and contributed to losses of DM300m (£130m) at Alcatel's local snbsidiary. Last year the group issued a profits warning, the first in the group's history, predicting net profits would fall to FFr4bn from about FFr7bn in 1993.

Such earnings remain among the highest in French industry. But the trends encountered in Germany are among a series of challenges whicb must be overcome. Alcatel's relations with France Télécom have been strained hy the overbilling allegations, complicating negotiations about the renewal of the operator's three-year supply contracts. The state-owned telecoms company has indicated it may also move to a system of open tenders, a potential blow for Alcatel-CIT.

But the greatest problem, for everyone from management to investors, is the uncertainty about Mr Suard's fate and the threat of more unpleasant surprises. Even on a sunny spring weekend, the antique weather-vane at the company's lavish Paris headquarters was pointing to unsettled. For Alcatel, that is an understatement.

Boost for Finns' PM as strike is called off

By Hugh Carnegy in Stockholm

Mr Esko Ahn, the Finnish prime minister, yesterday won a timely boost in his struggle to avoid defeat in next Sunday's general election, as a threatened nationwide teachers' strike was called off at the last minute.

The teachers' unions agreed last night to a compromise formula in their pay dispute after emergency talks initiated by Mr Ahn to prevent the escalation of disruptive public sector pay rows.

But although the threat of a general school closure was averted, the country's health service remains in the grip of a nationwide strike by 80,000 nurses which has closed all hut emergency services in many hospitals. Meanwhile, over the weekend, a strike by hnndreds of firemen spread beyond Helsinki.

The teachers and nurses bave been seeking pay increases of up to three times the average 2.5 per cent agreed for most other public services hy local authority employers in this year's pay round. With Finland's economy surging back to high growth after a punishing recession, the teachers, nurses and firemen have resisted the employers' insistence that tongh public spending curbs needed to control the budget deficit leave little room for generous wage settlements.

Despite Mr Aho's successful intervention yesterday, he still faces a tough battle to stave off defeat for his centre-right coalition next Sunday. The Social Democratic party, led by Mr Paavo Lipponen, is widely expected to emerge the biggest party, returning from four years in opposition to lead a new coalition.

Although there have been few national opinion polls, most surveys snggest the Social Democrats will win up to 30 per cent of the vote, enough to allow them to form the next government.

Mr Aho, leader of the Centre party, has a creditable record in office, steering Finland into the European Union this year and keeping the pnblic finances in relatively good nrder despite the hardest recession suffered hy any industrialised country since the second world war: the economy shrank by 15 per cent between 1990 and 1993.

An export-led recovery got under way last year, when gross national product growth reached 4 per cent. Growth of np to 6 per cent is expected this year.

But the leap in unemployment from 3.5 per cent in 1990 to almost 18 per cent today, and the tight spending controls dictated by a public debt of more than 70 per cent of GNP, have eroded the government's popularity.

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Germans find EU chocolate rules not to their taste

Bonn says Ja to cocoa butter, but Nein to vegetable fats. **James Harding** reports

"It's all chocolate! Every drop of that river is hot melted chocolate of the finest quality. The waterfall is most important! It mixes the chocolate! It churns it up! It pounds it and beats it! It makes it light and frothy! It's the only way to do it properly! The only way!"

Willy Wonka, in Charlie and the Chocolate Factory, 1964

Mr Wonka's European competitors do not agree – there is more than one way to make a chocolate bar. Most EU producers use only cocoa, cocoa butter, milk and sugar. But a few add vegetable fats.

The different production methods heve divided Europe's chocolate producers, suppliers and consumers. The European Commission, which is struggling to draw up a new chocolate directive, is paralysed by the row.

As a result, new EU members are left waiting for clear rules on chocolate ingredients, German producers complain that they are not given the same flexibility in production as their British competitors and, since the advent of the eingle market, tbe uneven playing field for producers is at odds with the open market for retailers.

Now, like curvy cucumbers, bready sausages and sparkling wine masquerading as champagne before it, the question of a single set of rules for European chocolate makers looks set to inflame the most sensitive of national organs, the palate.

Earlier this week, Bild, the German tabloid, ran a story on its front page headlined "EU will make our chocolate worse". This amplifies the view of the German Consumers' Association, which believes that if a change to EU regulations allows German chocolate makers to use vegetable fats, a privilege now enjoyed only by the UK, Ireland and Denmark, the quality of German chocolate will suffer.

"The chocolate tastes different and the ingredients are not so good for yon when you use anything other than cocoa butter," says Ms Angelika Michel-Drees, nutritionist at the German Consumers Association.

She wants to see a clear label for consumers, "visible at first glance and not in small print in the ingredients list", that says "Chocolate" for "pure" chocolate and "Chocolate with vegetable fats" for bars with the substitute fats.

The International Cocoa Organisation, which will discuss the issue at its meeting next week, agrees. Cocoa suppliers fear that if all European producers are allowed to use vegetable fats the demand for cocoa and cocoa butter will fall. The ICCO said yesterday it "would not want anything with non-cocoa butter in it to be called chocolate".

British producers, whose exemption from the 1973 chocolate directive allows them up to 5 per cent vegetable fats in their chocolate, say such distinctions are rubbish.

According to Cadbury, Britain's leading chocolate maker, the high-quality vegetable fats they use, such as illipe oil or shea nut oil, enable them to make interesting chocolate configurations – bubbles in a Wispa bar or twists in a Flake.

"To say tha taste is inferior, based on cultural preferences, is nonsense," Cadbury said yesterday.

European Commission officials, who have been battling since 1992 to update the chocolate directive, are at pains to reassure consumers they will still be able to get high-quality chocolate: "The idea is to simplify the rules, not to oblige chocolate makers to use vegetable fats but to allow them to use them if they want. German consumers can keep on eating German cbocolate to their hearts' content."

However, the current discrepancies between the rules for continental producers and the UK, Ireland and Denmark is a cause of some concern in Brussels.

The need to establish a singla set of clear rules has become all the more urgent since the beginning of the year as Austria, which allows up to 15 per cent vegetable fat in its chocolate, Sweden (5 per cent), and Finland (3 per cent) joined the Union and are looking for guidance on chocolate production.

Commission officials also see the exemptions as "very damaging to the principle of the single market". This is because what can be bought in all European countries can be produced only in a few.

Regardless of the pressure to reform, Commission officials are privately pessimistic. The objections of West African cocoa producere, which have the support of French, Belgian and Dutch cocoa butter makers, have blocked any progress.

The biggest losers, says Dr Karsten Keunecke of the German confectionery industry association, are the Germans.

Under reformed rules, high-quality products would remain but producers would also be able to develop a new variety of chocolate bars. The cocoa producers who are running a political campaign to prevent a loosening of the rules across Europe are harming their own cause, he says.

"The broadening of products is the event of the day," says Dr Keunecke of the German chocolate industry, worth DP6.1bn (£2.65bn) a year. "We have filled chocolates, chocolate tablets, pralines, chocolate-covered biscuits, mixed chocolate bars, nut bars – you name it, it's in a chocolate bar today."

NEWS: EUROPE

New Croatia war threat recedes

The immediate threat of renewed war yesterday receded when President Franjo Tudjman of Croatia announced that UN peacekeepers could remain in his country after their mandate expires at the end of March, Laura Silber reports from Belgrade.

Mr Tudjman's about-turn will ease tensions but it leaves unresolved key points of contention between Zagreb and Serb rebels from Croatia.

At a news conference with Mr Al Gore, US vice president (pictured left) in Copenhagen, Mr Tudjman said a scaled-down force of about 5,000 could remain in Croatia. "There is no deadline (for the UN troops to leave)."

Mr Gore welcomed Mr Tudjman's decision not to expel the 12,000 peacekeepers currently deployed in and along Serb-held areas of Croatia. "This is very good news ... I consider this a major step away from war and towards peace," he said.

Intense western pressure – warnings of more war combined with promises of economic aid – helped to persuade Mr Tudjman.

Under pressure from hardliners in his ruling party as well as public frustration with Zagreb's failure to assert control over Croatian territory, Mr Tudjman had earlier insisted on UN withdrawal.

Picture: Reuter

Russia's Choice severs Yeltsin links

John Thornhill in Moscow

Russia's Choice, the largest faction in the lower house of parliament, will not support President Boris Yeltsin should he seek a second term in next year's presidential elections.

The decision, taken at a party meeting over the weekend, formalises the split that has grown between the liberal faction and Mr Yeltsin since the invasion of Chechnya in December. Russia's Choice had previously provided the mainstay of Mr Yeltsin's parliamentary support.

Mr Yegor Gaidar, the former prime minister and leader of Russia's Choice, said he held Mr Yeltsin "personally responsible" for the consequences of the use of force in Chechnya. Mr Gaidar, one of the most outspoken critics of the invasion, said the president must carry responsibility even "for those who offer him wrong advice and for those who make a mess of his decisions".

But Mr Gaidar said Russia's Choice would continue to support whatever sensible policies Mr Yeltsin pursued. In particular, he praised the president's recent decrees on the economy which "brought back the breeze of the spring of 1992" – when some of the most radical reforms were undertaken.

Russia's Choice and the other liberal parliamentary groupings will now face a desperate search to find a plausible presidential challenger. Failure to unite around a common candidate could leave the way clear for a communist or nationalist, such as Mr Vladimir Zhirinovsky, to mount a serious challenge.

Mr Grigory Yavlinsky, head of the liberal Yabloko faction and self-declared presidential aspirant, has scored well in Russia's notoriously unreliable opinion polls, but would appear to lack a strong enough organisational base from which to launch an effective campaign. Mr Yavlinsky, a radical economist of similar outlook to Mr Gaidar, has distanced himself from attempts to unite Russia's liberal groups.

Russia's Choice's chances of staging a strong campaign in December's parliamentary elections received a big setback when it was confirmed that Mr Oleg Boiko, a wealthy banker, had resigned as chairman of the faction's executive committee. Mr Boiko, who largely financed Russia's Choice and had helped shape its organisational base in the provinces, has been a fierce critic of the faction's stance over the Chechen conflict.

The withdrawal of Russia's Choice's support may embarrass but not greatly inconvenience Mr Yeltsin. The president has recently relied on a shifting coalition of forces in parliament to support his policies.

IMF to mediate in Russia-Ukraine talks

By Matthew Kaminski in Kiev

The International Monetary Fund will mediate in stalled debt relief talks between Russia and Ukraine, the IMF's managing director said at the weekend.

Mr Michel Camdessus, in Kiev on Saturday, said the standby packages signed by the two Slavic countries this month are indirectly connected and the IMF must co-ordinate economic stabilisation programmes for both countries.

"We must make sure that in helping one, we do it in a way which is compatible with the interests of the other," he added.

Ukraine needs $2.5bn (£1.5bn) owed to Russia rescheduled to qualify for its $1.8bn standby loan agreed on March 3 and to be voted on by the IMF board later this month. However, with its own economy hurt by the Chechen war, Russia has backed away from last year's pledge to sign a debt pact by February.

Economists believe Russia's $6.5bn standby loan, signed on Friday, will facilitate a deal.

Mr Camdessus told Ukrainian journalists he had received "the strongest aasurances ... from your Russian friends [of] very fair treatment which should allow this complex problem to find an equitable solution".

IMF officials would now sit in on the long-running negotiations, due to restart this week in Kiev, Mr Camdessus said.

On a visit to Moscow and Kiev, Mr Camdessus' trip highlights the pressure on the IMF to help the two largest ex-Soviet republics. Diplomats said he was taking an unusually active role in bilateral relations.

After meeting Mr Victor Chernomyrdin, the Russian prime minister, Ukrainian President Leonid Kuchma said on Saturday he was confident a debt deal would be done by March 20, when western donors meet in Paris to consider $900m in bilateral aid to help cover Ukraine $5.5bn balance of payments shortfall this year.

After ringing up a $7bn national debt in just three years, Ukraine is asking for external financing to cover past and future import bills. This is designed to improve the country's creditworthiness, prevent the accumulation of arrears and hold to strict fiscal and monetary targets agreed with the IMF.

Mr Camdessus also said Mr Aleksander Moroz, the Socialist parliament chairman, had assured him Ukraine's relatively tight 1995 budget would be passed with the 7.3 per cent fiscal deficit agreed with the IMF. IMF statistics put the projected deficit at 3.5 per cent of gross domestic product.

Under the budget, inflation is supposed to go down from 18 per cent in February to 1 per cent monthly by year's end.

EUROPEAN PRESS REVIEW

Customs accord stirs Turkey-Greece enmity

TURKEY

By John Barham

Turkey's mass circulation dailies may be broadsheet-sized, but they are unapologetically tabloid in content, pandering to the country's best populist instincts.

So it was appropriate that the newspapers proclaimed last Monday's signature of a landmark customs union agreement with the European Union with jubilant front page headlines like *Hürriyet's* "the fulfilment of a 100-year dream – [culmination] of Turkey's westernisation movement that started in the 19th century".

Hürriyet and its rival *Sabah*, like the other mainstream papers, carried lengthy analyses and elaborate colour diagrams and graphics explaining how customs union will work, who will gain (consumers) and who will lose (many soon to be unemployed workers).

Most Turks are convinced that they are a European people and that Turkey will take up its rightful place in the EU. Accordingly Sabah, the country's best-selling newspaper, announced: "Turkey has made a formal step towards Europe with the customs union accord."

While there is little chance of Turkey joining the EU this century, if ever, customs union is meant to be much more than a trade agreement. It is also supposed to bind Turkey closer to the west at a time of growing domestic unrest and economic upheaval, so stabilising Europe's volatile south-eastern flank.

Neither does customs union mean that the historical enmity between Greece and Turkey is coming to an end. The Turkish press at first refrained from claiming Monday's accord as a victory over Greece, which blocked a previous attempt last December. But their tone became increasingly excitable by midweek after the Greek press seized on statements – which Turkish newspapers had made light of at the time – by foreign minister Murat Karayalçin, in which he mentioned that Turkey may annex Turkish north Cyprus.

The Turks were overjoyed at the Greek's fury. On Wednesday, Sabah carried a splash front page headline trumpeting: "The Jealousy Crisis – the customs union agreement excites the opposition party and press." Its Athens correspondent helpfully translated salient passages from the Greek newspapers for the delectation of readers.

However, by the weekend, life was returning to normal, with lengthy and inconclusive articles discussing the future of Mrs Tansu Çiller's coalition government. The prime minister and Mr Hikmet Çetin, the leader of her junior coalition partner, the Peoples Republican party, have been haggling over a cabinet reshuffle. Sabah reported that Mr Çetin demanded a new cabinet, Mrs Çiller did not accept and that no decision was reached.

Turkish readers wearied by Mrs Çiller's cabinet crises maybe forgiven for yearning after more juicy copy on the Greek'a jealousy crisis.

GREECE

By Kerin Hope

It should have been cause for celebration in Athens, but few Greek newspapers were prepared to point out the benefits that will accrue from Turkey's customs union accord with the European Union. The tabloid press in particular stuck to the defensive attitudes familiar from two decades of Greek-Turkish hostility over Cyprus and the Aegean.

Kathimerini, the conservative newspaper, was the exception, greeting Greece's decision to lift its veto on the customs union deal in return for a definite timetable on EU membership for Cyprus as "a bold move".

"This decision opens the way for putting both the Greek-Turkish disputes and the Cyprus problem on a new footing, to the benefit of both Athens and Nicosia," said the paper, which generally reflects the views of younger-generation Greek businessmen.

Kathimerini argued that EU membership for Cyprus would boost the chances of reuniting the island, adding: "Both Greek and Turkish Cypriots want accession, not only for its economic and political benefits but because it would automatically solve many of the two communities' internal problems."

To Vima, the centrist weekly which supports the governing Socialists, gave the accord a more cautious welcome, underlining the government's success in securing a timetable for Cyprus's accession to the EU by the turn of the century following a week of intensive negotiations.

"Athens pursued realistic but consistent negotiating tactics, managing to secure its basic aims and improve on terms offered earlier," it said.

However, To Vima's financial pages focused on the problems that Greek textile manufacturers may face as a result of stiffer competition from Turkey, rather than the opportunities for Greek exporters as Turkish tariff barriers come down.

The tabloid press attacked the government for agreeing to the Turkish-EU deal, giving exhaustive coverage to a threat by the Turkish foreign minister, Mr Karayalçin, to unite the Turkish sector of Cyprus with Turkey if EU accession comes before a peace settlement is worked out for the divided island.

Under a headline claiming "A national humiliation ... Turkey threatens and blackmails", *Apogevmatini*, a rightwing mass circulation paper, urged the government to take a tougher position towards Turkey.

In similar vein, *Eleftherotypia*, an independent leftwing newspaper, condemned what it called "Turkey's tactic of provocation" and warned the government of further difficulties ahead as the customs union brings Turkey closer to Europe.

Deutch nominated after withdrawal of Carns

Clinton moves fast to fill CIA vacuum

By George Graham in Washington

President Bill Clinton has picked Mr John Deutch, deputy defence secretary, to run the Central Intelligence Agency after another of the embarrassing controversies that have dogged his appointments prompted the withdrawal of Lt Gen Michael Carns, his first nominatioo for the post.

Mr Deutch, whose performance at the Pentagon has won such applause that he had been touted for a series of possible promotions, turned down the CIA when Mr Clintoo was looking for someone to replace Mr James Woolsey, who resigned in January.

Gen Carns withdrew his nomination at the weekend because of a controversy over allegations that he had broken labour and immigration laws in bringing a Filipino man into the US. Mr Deutcb then had little choice hut to accept and bail out the White House.

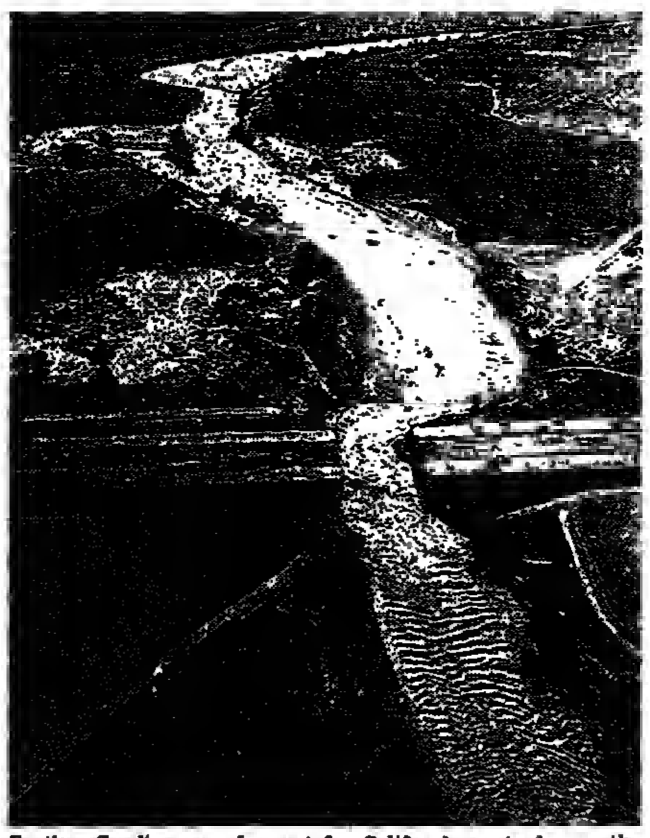
Mr Clinton said he planned to upgrade the job of CIA director hy giving Mr Deutch, if confirmed by the Senate, full cabinet status and an expanded role in setting US national security policy.

Gen Carns's confirmation prohlems were not just the "Zoe Baird" prohlem that hedevilled some of Mr Clinton's earlier appointments. Simple failure to pay taxes and social security for nannies or domestic workers – which derailed Ms Baird's nomination to be attorney general – is no longer regarded as an absolute har to confirmation, so long as the back taxes are paid up.

Gen Carns had vouched for Mr Elbino Runas, who had lived with his family in the Philippines, oo a US visa application. Although the application was for a domestic employment visa, and waa accompanied hy a contract, the Carns did not treat him as an employee and paid him only an "allowance" of $200 (£121.90) a month.

Gen Carns now accepts that the allegation that be failed to pay Mr Runas tha legal minimum wage "appears aubstantially correct". He said he was withdrawing his name because of Mr Runas's "venomous and abusive accusations".

The White Honse appears, however, to have resolved problems over the nomination of Mr Dan Glickman, a former congressman, as agriculture secretary. Although his appointment was announced in Decemher, the nomination papers were only sent to the Senate last week after an FBI investigation into the use of congressional credit cards hy his daughter.



Further flooding was forecast for California yesterday as the state reeled from storms which have killed at least seven people and driven thousands from their homes. The Interstate 5 (pictured above) was one of many roads broken up hy floodwater AP

Cardoso's honeymoon runs into turmoil

The currency crisis was a warning for Brazil's president, writes **Angus Foster**

Brazil's monetary crises have tended to be short and sharp hut the turmoil which hit the Real currency last week was briefer and more stinging than most.

Order was restored by Friday at the possible cost of a $2bn (£1.2bn) fall in foreign reserves. But the central bank's messy handling of the affair, along with unrelated political setbacks, suggest Brazil could still fail to convince international investors that its economy is immune to a loss of confidence such as afflicted Mexico and Argentina.

Last week's troubles stemmed from a badly worded central bank announcement that Brazil was introducing a system of floating bands in which the Real would trade against the US dollar. The communiqué was ambiguous about how quickly the Real would be allowed to devalue against the dollar. As market uncertainty grew, fuelled by rumours of policy splits among directors, the bank was forced to intervene 32 times on Thursday to support the Real.

The bank announced a new, wider band on Friday and the Real stabilised at 7 per cent down against the dollar over the week. The bank also raised interest rates to 6 per cent a month, when the inflation rate is only 2 per cent.

Mr Pedro Malan, the finance minister, said higher interest rates were "strictly temporary". Because parts of the economy were overheating, the increase would not bring recession. 'Recession is not our problem, quite the contrary," he said. The stock market, cheered by measures to attract foreign investment, rebounded on Friday and recovered nearly all its losses over the week with a spectacular 26 per cent rise.

Despite the rebound, analysts say the events of last week were warning signals. The Real remains seriously overvalued against the dollar and further devaluations are expected, especially if the trade deficit does not return to surplus quickly. Following three months of deficits, the first for nearly eight years, weekend press reports said February's deficit, to be announced soon, had been the biggest ever.

The events also highlighted that the Real remains fragile eight months after its launch. It is secured by remaining foreign reserves of about $34bn and a range of emergency measures which should allow the government to balance this year's hudget. Until lasting reforms are in place, the sustainability of last year's GDP growth of 5.7 per cent will be questioned. Mr Antonio Delfim Netto, a former planning minister and increasingly vocal government critic, said short-term "tricks" were no longer enough and orthodox hudget and fiscal reforms were now vital.

While attention focused on the currency difficulties, President Fernando Henrique Cardoso endured a string of sethacks which suggested these reforms, which will go to Congress soon, would be difficult to approve.

His first defeat came when the Senate ratified part of the constitution which sets a 12 per cent limit on annual real interest rates. The foolishness of such a law, which still needs lower bouse approval, became even clearer on Friday.

The ratification was a severe embarrassment to Mr Cardoso. It was also unnerving because approval was engineered by a wing of the Democratic Movement party (PMDB), the higgest in Congress, which is meant to be allied to Mr Cardoso.

The PMDB's loyalty was already fragile and the rebellioo raises fresh doubts over whether Mr Cardoso has the three-fifth's majority needed to approve controversial changes to the tax and social security system. Mr Cardoso's influence in Congress was further undermined after a power struggle in his own Social Democracy party (PSDB) forced the resignation of the party's president.

Amid the gloom, Mr Cardoso resorted to a populist stunt. He convened a press conference, at which he refused to take questions, to announce a 43 per cent increase in the minimum wage from May. Although most of the rise is required under law, the salary rise could well fuel inflation.

After the optimism and tranquility of Mr Cardoso's first two months in office, one government official said the crisis held a valuable lesson. "Brazil has not become a first world country just because we elected a good presideot. Politics and the economy will remain confusing for some time yet," he said.

Rift over CO_2 damps hopes of summit pact

The Berlin climate conference, the first interoational meeting since the Rio environmental summit of 1992, looks set to achieve very little after a weekend meeting ended without agreement on topics for the agenda.

The United Nations conference, which begins on March 28, was aiming to set ambitious new targets for the reductioo of carbon dioxida, the best-known of the so-called greenhouse gases which are hlamed for global warming. As a first step, about 120 countries agreed in Rio to cut emissions to 1990 levels hy 2000.

Over the weekend delegations from 16 countries – mostly western industrial nations including Brazil, Russia and Mexico – hoped to forge a strategic alliance to ensure the Berlin conference has some chance of setting targets for CO_2 cuts after 2000.

Senior civil servants in the German eovironment ministry, which is co-ordinating preparations for the conference, have been dispatched to Moscow and the Vienna secretariat of the Organisation of Petroleum Exporting Countries (Opec), which is determined to sahotage the conference, according to western officials.

Opec countries such as Saudi Arahia, Kuwait and Venezuela are being supported in their fight against western industrial nations by an international alliance of companies whicb make power stations and argue that tbe hole in the ozone layer and other climatic changes have nothing to do with CO_2 emissions.

Opec countries are also hoping to persuade other developing countries not to support strict CO_2 limits, arguing that this would stifle their own industrial development.

Given the disagreements there is a good chance that no binding decisions will be passed in Berlin, especially because it is still unclear whether conference decisions can be passed by majority voting or whether unanimous approval will be needed.

Ms Angela Merkel, Germany's oew environment minister, has already said the chances of an agreement are "not exactly encouraging".

The German government, under pressure from the powerful Green lohhy, has already said that hy 2000 it will reduce CO_2 emissions to 1987 levels. But Germany has come under fire from the US and other western countries who say it had an unfair advantage.

Western nations failed to agree on agenda topics at the weekend, writes **Michael Lindemann**

For a long time Germany had pointed to the impressive figures whicb showed CO_2 emissions down from 320m tonnes per year in 1987 to 270m tonnes in 1995. The secret of the success, however, was simple but uot much of an exampla for other countries. Germany had simply shut down outdated power stations in eastern Germany after reunification in 1990.

Since 1987 CO_2 emissions in western Germany have actually risen hy about 8 per cent to 210m tonnes per year, while in eastern Germany they have dropped from 125m tonnes seven years ago to 60m tonnes now, according to figures from the association of German electricity producers.

"The Berlin conference is enormously important if we are to maintain the momentum of climate change," said Mr Timothy Wirth, who is likely to bead the US delegation.

All hope is not lost, Mr Wirth argues. He still thinks there is a chance the Berlin conference can agree on a mandate for reducing emissions after 2000, which must be finally agreed by 1997, and divide up responsibilities between the developed and the developing world.

Apaches vote to store N-waste

By George Graham

The Mescalero Apaches have voted in favour of pursuing negotiations with the nuclear industry on a plan to store spent radioactive fuel on their reservation in southern New Mexico, reversing a vote last month to reject the proposal.

If negotiations are successful, the consortium of 33 nuclear plant operators would pay the Apaches up to $250m (£152.4m) to store an estimated 20,000 tons of spent nuclear fuel rods for 40 years, until the federal government produces a permanent plan for disposing of the highly radioactive nuclear waste.

Tribal officials were stunned when the proposal was voted down by 490 to 362 last month. But supporters of the plan gathered enough signatures to force a new ballot, and the proposal was carried by 593 votes to 372.

The debate pitted some of the most famous names from Apache history against each other. The project manager is Mr Silas Cochise, great grandson of the famous leader of Chiricahua Apache band, while Mr Joseph Geronimo, grandson of another famous Apache war chief, was among the leaders of the opposition.

The interim storage plan is strongly opposed by the state of New Mexico and by many surrounding towns, but as an Indian nation, the Mescalero Apaches have a considerable degree of autonomy.

The only other community in the US to give serious consideration to hosting the interim nuclear dump was another Indian nation, the Skull Goshutes in Utah.

The Department of Energy's efforts to develop a permanent dump site at Yucca Mountain in Nevada have been delayed.

Most utilities are now storing their spent fuel in ponds at their own reactor sites but by 1998, the date the Energy Department was supposed to start taking the radioactive waste off their hands, at least 26 reactors will have run out of space in these ponds.

INTERNATIONAL NEWS DIGEST

Canada urged to free trawler

Mr Felipe González, Spain's prime minister, yesterday called ou Canada to release immediately a Spanish fishing boat it detained in disputed waters off Newfoundland last Thursday. He said his country had the full support of other members of the European Union for its stand over the issue. The boat, the Estia, was with 17 other Spanisb and Portuguese trawlers fishing in what the Europeans regard as international waters. The others escaped when Canadian gunboats were sent to detain them.

At the weekend Canada expressed hope that talks between the two sides could get under way to grapple with the issue. "We're willing to meet the Europeans," said Mr Eduardo del Buey, spokesman for the Foreign Affairs Department in Ottawa. Spain said it would not negotiate until Canada released the trawler. The Spanish prime minister said it had been suggested in Canada that the basis of the dispute lay in a Canadian desire to preserve stocks of turbot or Greenland halibut. "But it is difficult to accept this when the Canadians simply aim to replace our vessels with their own," he said. *Reuter, Copenhagen*

Japan acts on deregulation

The Japanese government this week presents its main trade partners with draft plans to curb barriers to competition in its highly regulated domestic market. This is the final stage of a five-year deregulation programme to squeeze extra growth out of Japan's economy. Japanese and foreign business lobbies have been urging the government to add teeth to previously cautious efforts at economic deregulation, to cut business costs and stimulate demand for imports. The dollar's recent fall has added urgency to calls for deregulation, a strategy that could help weaken the strong yen, Japanese industry's biggest current headache.

However, the draft was criticised as ineffective by the Japanese press. It includes more than 1,000 deregulation proposals, yet many have already been put into effect. Among the new projects in the draft are the introduction of insurance broking, plans to double bank savings deposits' maximum maturity to 10 years, and a proposal to build bouses on the tracts of urban land still zoned for farming. Ths ceiling on shares that companies are allowed to own in other Japanese concerns is to be raised and takeover reporting requirements are to be eased.

The draft also excludes several regulations long seen as barriers to competition. It indefinitely postpones review of the *Large Scale Retail Stores Law*, which controls shop opening bours and gives small retailers the right to delay the opening of supermarkets in their areas. Review of the law has been a long-standing demand of the US, the European Union and Japan's few supermarket chains. *William Dawkins, Tokyo*

Police evict S Korean MPs

South Korean riot police yesterday evicted opposition MPs who had been holding the parliamentary speaker and his deputy in their homes for the past week. The opposition MPs seized the Seoul residences of the senior National Assembly officials to prevent them convening a special parliamentary session to pass a controversial government-sponsored election law.

The law would ban political parties from participating in the June 27 local elections, the first in 35 years. Instead, candidates would stand without any political affiliation. The opposition Democratic party claims the law is designed to prevent it from scoring a victory in the first electoral test for the administration of President Kim Young-sam since he came to power two years ago. The incident is likely to increase tensions between the government and opposition. The DP called the police action "another act of violence leaving a stain on the country's democratic political history," while the ruling Democratic Liberal party condemned the speaker's detention as "illegal behaviour that destroyed the dignity of the national assembly". *John Burton, Seoul*

Kazakh parliament dissolved

Kazakhstan President Nursultan Nazarbayev has dissolved parliament and plans to rule by decree pending new elections. In a weekend announcement Mr Nazarbayev said he was temporarily taking both legislative and executive power and that he would use his new authority to reappoint Mr Akezhan Kazhegeldin as prime minister. But he did not immediately announce the date of new parliamentary elections.

Mr Nazarbayev's action followed a week-long political crisis revolving around the Central Asian republic's constitutional court and a ruling that 1994 elections were illegal. The president first defied the court but changed his mind and promised to follow the constitution to the letter.

The crisis began when the court ruled in favour of a defeated candidate in last March's parliamentary elections, in which western diplomats believe cheating was widespread. The candidate, a well-known investigative reporter, alleged that the election violated one-man, one-vote laws, since more ballots were cast than the number of registered voters in her Alma Ata district. *Steve LeVine, Alma Ata*

Hungary devalues forint

The Hungarian government yesterday announced a 9 per cent devaluation of the forint with effect from today and said it would mark down the currency by up to 27 per cent this year in an attempt to reduce the large trade and current account deficits. The mova follows intense speculation against the forint in recent weeks and release of last year's trade data which showed the country's current account deficit soared to $3.9bn, or 9 per cent of gross domestic product. The forint closed at 109 to the dollar on Friday.

Mr Gyorgy Suranyi, Hungary's new central bank governor, said today's devaluation, which is against a 70:30 Ecu and US dollar basket, would be followed by monthly markdowns of 1.9 per cent in April, May and June, falling to 1.3 per cent devaluations in the second half of the year. The government also announced it would increase customs duties by 8 per cent until 1997, with effect from March 20, to cut imports.

Mr Suranyi said the devaluation was likely to push consumer price inflation up to about 25 per cent but that, if accompanied by cuts in government spending, inflation could still fall to 20 per cent by the end of the year. *Virginia Marsh, Budapest*

Greece to mend Albania ties

Greece's foreign minister, Mr Carolos Papoulias, today opens talks in Tirana aimed at repairing ties with Albania following the release in February of five ethnic Greek Albanians, jailed last year on charges of spying for Greece. Discussions will focus on ways of controlling the flow of illegal Albanian immigrants looking for jobs in Greece and on delineating the mountainous Greek-Albanian border. Mr Papoulias will come under pressure from the Albanian foreign minister, Mr Alfred Serreqi, to grant seasonal work permits for Albanians. There are about 150,000 Albanian workers in Greece, who send home an estimated $300m yearly, but the number has shrunk as a result of mass expulsions after Greek-Albanian relations deteriorated last year.

Mr Papoulias wants the Albanian government to improve conditions for the ethnic Greek minority living in southern Albania, who claim education in Greek is permitted in only a handful of villages. *Kerin Hope, Athens*

Gunfire after Burundi killing

Gunfire and grenade explosions were heard in Burundi's capital Bujumbura after a Hutu government minister was assassinated. Police arrested two suspects linked with the killing of Mr Ernest Kabushemeye, energy and mines minister, who was shot dead in daylight in Bujumbura on Saturday, state radio reported. There were no initial reports of casualties from the shooting. *Reuter, Bujumbura*

Crime in Karachi presents premier with toughest challenge

Bhutto pledge on violence

By Farhan Bokhari in Karachi

Ms Benazir Bhutto, the Pakistani prime minister, promised at the weekend a crackdown on crime in the sonthern port city Karachi, which is presenting her 17-month-old government with its toughest challenge.

Despite the arrest yesterday of at least 77 activists belonging to different local groups, at least 15 more people were killed in armed attacks in the troubled city.

After a meeting of top government officials, Ms Bhutto said on Saturday: "If ruthlessness is required, the administration will have to be ruthless but we cannot allow the killing of people in this fashion." However, she was non-committal on whether a state of emergency would be imposed in Karachi, a city of 12m people and would only say that "the situation is being kept under constant observation".

A wave of violence during the past week has increased pressure on Ms Bhutto's government. The killing of two Americans who worked at the US consulate in Karachi has focused international attention on the problem. Security around foreign missions has been tightened, although there is no clear evidence that foreign nationals will become targets of violence.

Business confidence in the city, Pakistan's commercial capital, has suffered badly. However, Ms Bhutto denied that investment had halted.

Businessmen in Karachi's bazaars are concerned. Mr S M Muneer, president of the Federation of Pakistan's Chambers of Commerce and Industry, the largest national association of businesses, was wary of the prime minister's pledge. He said: "These promises are not new. I've been hearing them for a year. But people still get killed. The only useful measures are those which improve law and order".

The FPCCI has called a meeting of prominent businessmen on Wednesday to discuss ways to protest against what it calls the government's failure to restore law and order. Among various proposals, the federation is expected to consider a boycott of advertising on government-controlled national radio and television. Some of its members also want to consider a boycott of certain government taxes.

Benazir Bhutto: 'the administration will have to be ruthless' AP

Analysts left speechless by Indian TV ban

By Peter Montagnon in New Delhi

A decision by Mr T N Seshan, India's election commissioner, to ban all broadcast analysis of the state election results has left India's new chattering media classes gasping with incredulity.

With Indians fascinated by their fast-expanding television industry, the country has been yearning to catch np with those where elections and television have long gone hand in hand. But Mr Seshan's edict at the end of last week meant that the swingometers stopped swinging and left the psephologists dyspeptic.

Satellite broadcasters, which include the BBC World Service, were not in theory affected, thongh Indians booked up to the service by cable found the sound cut off.

Officially Mr Seshan's reason for banning the broadcasts was the fear that they could infinence the result in Bihar, where polling is continuing. There is no doubt that the outspoken commissioner – once described by an aide as "a bull who carries his own china shop" – has done much to clean up India's election process since his appointment four years ago. For that he has become a champion of a middle class disillusioned with its political leaders, but some believe his latest move may do more harm than good to the cause of democracy.

"He is impeding the spread of information, which is against any democratic process," said Ms Malvika Singh, associate pnblisher of Business India gronp. Doordarshan, the state-owned network, shonld not have accepted the edict so meekly. "I would go on the air and face the consequences," she added.

That is presumably what her group, which is launching a new independent television channel, will do next time. For the time being, though, Mr Seshan's edict has restricted television discussion even about what be himself is up to. All he would say curtly yesterday was "we bave not prohibited news, only analysis," although where the boundary falls is any lawyer's guess.

South African economy in global firing line

By Roger Matthews and Mark Suzman in Johannesburg

International confidence in the management of the South African economy will be doubly tested this week when the new unified rand opens for trading today and the government of national unity unveils its first full budget two days later.

Mr Chris Stals, the governor of the Reserve Bank, said yesterday he expected few problems when foreign exchange trading resumed. His view is largely shared by traders who forecast that the currency would stabilise at R3.70-R3.75 to the dollar, close to Friday's closing rste for the financial rand. This would represent a depreciation of less than 3 per cent in the value of the commercial rand, now the sole unit of exchange.

The now-defunct financial rand was used by non-residents to invest in South Africa or trade in securities, and was introduced as a bulwark against politically motivated capital ontflows. Tough controls remain in force for South Africans wishing to take money abroad.

Mr Stals does not expect the Reserve Bank to intervene significantly today but reminded the market that South Africa had sufficient firepower, comprising R12.5bn (£2.23bn) in official reserves and a further R13bn in unused international credit lines, to offset any speculative movements.

The timing of the finrand's demise surprised the markets, as many economists and traders had expected Mr Chris Liebenberg, the finance minister, to delay abolishing the currency unit at least until the markets had time to digest the contents of what is likely to be a fiscally prudent budget on Wednesday. Given the turbulence in currency markets following the Mexican crisis, tha confidence shown by the government in acting ahead of the budget suggests that the figures will be well received.

"This budget was always the key one," said a London dealer. "In an emerging market contest, if you stood South Africa up against Latin America you would have to say these guys know what to do, and are not afraid to do it."

Despite heavy demands for social welfare spending in the black community, Mr Liabenberg is expected to pursue the government'a policy of increasing fiscal discipline and announce a further drop in the budget deficit, currently at around 6.5 per cent of gross domestic product. But Mr Liebenberg, who three weeks ago declined to scrap the finrand because of political uncertaintiea, will be aware that any unwelcome political developments in the near future could negate the impression of economic confidence be is trying to create.

Although the Zulu-based Inkatha Freedom party has ended its boycott of parliament, its threat to pull out of the government if it does not win substantial autonomy for KwaZulu Natal under the new constitution ramains just below the surface. Mrs Winnie Mandela, the estranged wife of the president and deputy minister for arts, culture and science, added to the controversy about ber role in government at the weekend by launching her harshest attack on the leadership of the ruling ANC.

Editorial Comment, Page 15

Chris Stals: the governor expects few problems when trading resumes today Glyn Genn

Israel signals readiness to revive Syrian peace talks

By Julian Ozanne and Robert Peston in Jerusalem

Israel yesterday said it bad sent positive signals to Syria in a bid to revive peace talks but challenged Syrian President Hafez al-Assad to prove that Damascus was serious about peace.

Israel's effort to show goodwill towards Syria came as Mr John Major the British prime minister, arrived in Israel in search of a peace dividend for British business. He is the second British premier to visit the Jewish state since its creation in 1948.

Israeli cabinet ministers said Israel bad sent the messages to Syria through Mr Warren Christopher, the US secretary of state, who arrived in Damascus last night. Israel said it had given Mr Christopher firm assurances of Its commitment to a peace deal and its ability to deliver public support for peace with Syria. Israeli military officials also briefed Mr Christopher on Israel's security ideas about a possible withdrawal from the occupied Golan Heights in an effort to restart Washington talka between the Israeli and Syrian chiefs of staff.

Syria, however, issued a warning to Mr Christopher. "Syria, while sincerely boping Christopher's tour would not be like his previous ones, affirms that any breakthrough will be subject to the US role (in putting pressure on) Israel to accept the full withdrawal for full peace," said the government daily newspaper Al-Thawa.

"US commitment to preserve Israel's security and its military edge over all Arabs, and allowing it to keep its nuclear arsenal while pledging to disarm Arabs whose lands are occupied, does not serve the cause of peace."

Mr Christopher is seeking to push forward the Syrian-Israeli peace process and to secure Gulf countries' support for the maintenance of United Nations sanctions against Iraq.

After meeting Mr Christopher in Jeddah yesterday the foreign ministers of the six-member Gulf Cooperation Council hailed the UN's firm stand and encouraging the Security Council "to resist any modification of the sanctions imposed on Iraq for its 1990 invasion of Kuwait until Iraq fully complies with all its obligations."

Dispelling speculation in Brtain about a possible easing of trade sanctions against Iraq, Mr Major said in Jerusalem last night: "We shall continue, with good reason.to approach sanctions rigorously, in the interest of Iraq's peoples and of the Middle East. We are determined to ensure that the whole of Iraq's biological capability is detected and destroyed before there can be any question of adjustments to the sanctions regime."

Nations agree on fighting poverty

By Hilary Barnes in Copenhagen and Andrew Jack in Paris

The UN World Summit for Social Development conclnded in Copenhagen yesterday after endorsing a 90-page action plan for the eradication of poverty and an end to social injustice.

"This is the first time in history that every country shares a set of concerns about poverty, injustice and social integration," Mr Bontros Bontros Ghali, UN secretary general, told the assembled world leaders on Saturday.

Summit recommendations were hammered out in often bitter disagreement between the rich and poor nations, and included a call to reduce the burden of debt on the poorest. The summit also encouraged nations to adopt the so-called 20-20 principle, by which donor nations reserve 20 per cent of the aid budget for social development and recipients commit 20 per cent of their national budget to social programmes. The World Bank and the International Monetary Fund were urged by delegates to take social aspects into account when financing development programmes.

The declaration commits signatories to promote full employment, equality between men and women, universal access to education, adequate health care, and protection of workers' rights.

Mr Al Gore, the US vice-president, spoke on behalf of President Bill Clinton and reassured the conference that, despite the pressures in Congress to slash aid budgets, "I believe at the end of the day the United States will not step back."

French president François Mitterrand, whose term expires in May, triggered controversy with a call on Saturday for a tax on speculation to combat poverty. He warned the conference against letting "the world become a global market without any laws other than those of the jungle and with no other purpose than maximum gains, maximum profits in the minimum of time".

Mr Mitterrand said: "Why not consider a tax on short-term financial transactions? A tiny percentage would generate a considerable sum."

His call echoes one of the campaign pledges by Mr Lionel Jospin, the French Socialist party candidate for president, who has called for a tax on speculation within the country.

But Mr Mitterrand stressed that the idea had first been proposed by Mr James Tobin, the US Nobel prize-winning economist.

He acknowledged that the chances of introducing such a tax were slim and that he would not be in a position to help implement it – a reference both to the end of his second seven-year presidential term and the fact that be is at advanced stage of terminal cancer.

Mr Mitterrand also stressed that there should be financial snpport for governments which showed their willingness to enforce the conventions of the International Labour Office on the rights of workers.

Vigilantes join hunt for Algerian militants

Roula Khalaf, in Igoujdal, meets Berber villagers who have taken up arms against Islamist guerrillas

The farmers of Igoujdal, a village in Algeria's Greater Kabylia mountains, grow cherries and potatoes by day, but as night falls they band out rifles and machine guns and scout the forests for "terrorists," as they describe the Islamist militants who have been fighting the army-backed Algerian government since 1992.

These are villagers turned vigilantes and they seem to relish their newfound vocation. Despite conflicting tales of how this lawless state of affairs arose, they are singularly proud of recently killing the leader of the local Islamist guerrilla group. "We will fight until the last bullet," says Mr Ali Ballousef, a young village resident.

"I haven't killed anyone yet but if I find one, I'll kill him."

Blessed and armed by the government, vigilante groups are springing up in Algeria's Berber country.

The groups, part of the government's strategy to eradicate militants, have been denounced by Front des Forces Socialites (FFS), Algeria's largest Berber party. But they have a religious following and are orchestrated by the smaller and more radical Rassemblement pour la Culture et la Democratie (RCD).

Most Algerians have Berber origins but those living in the gorges of Kabylia have long resisted the Arabisation of the country, although they accept Islam as their religion. The Kabyles, who make up about 30 per cent of the population, continue to fight for recognition of their language and identity. However, Algeria's three-year civil strife has exposed political differences.

While the FFS urges political dialogue with the Islamic Salvation Front (FIS), which was poised to win elections cancelled by the government in 1992, the RCD remains dedicated to solving Algeria's crisis by annihilating the Islamists.

Mr Mohamed Nadir Hamimid, the governor of Tizi Ouzo, the department which includes Igoujdal, finds this state of lawlessness acceptable. "There are many things that are exaggerated by the foreign media," he says. "People act normally bere. It is true that there is stress and tension but, more and more, people are mobilised in the fight against terrorists."

Mr Hamimid says that in the 1,500 villages containing about 1.2m people under his wing, there are only 100-150 armed Islamists. He claims they are disorganised, badly armed and starving.

"We see them in villagea, thay have archaic and rudimentary equipment. Only one out of a group of 10 has a Kalashnikov and they cannot resist more than five minntes," he says.

Only 30-40 people have been killed in Tizi Ouzou, out of a total of 30,000 dead in three years of conflict, he adds.

Yet he insists these disparate and battered groups cannot be controlled by Algeria's armed forces. The solution is to arm a population which already owns more than 120,000 bunting rifles.

Mr Nourdine Amirouche, an RCD leader, agrees that this is Algeria's only way to weed out Islamism.

Only the mountain people of Igoujdal are unmoved by the politics of their enemies; they fight anyone who threatens to disrupt their village life. Villagers say they took np arms because their homes were attacked last July by five, some say as many as 50, "terrorists" who robbed them of their rifles. No villager was killed in the attack but they claim to have killed eight of the intruders.

They were then given arms, allowed to set up checkpoints with the police, and began launching weekly hunts to catch tha insurgents. Two weeks ago a farmer – some say three farmers – from a nearby village was found dead, his throat cut.

"A few days later we went out, we followed them [the militants], we ambushed them and we killed their leader," says a village elder.

"We didn't have to do much, they came to us."

As it later emerged, the slain leader was a relative of Mr Mohamed Aouie, one of the local security officers. "He had been a terrorist for only a year," says Mr Aouie. "He was out of work, his father had died and his mother had been a resistance fighter in the war of independence."

If these villagers really killed the gang leader, chances are his friends will soon be attacking the village for revenge, followed inevitably by counter attacks.

Mr Amirouche, who claims to control the mountains and valleys, is unmoved by such concerns or by fears of igniting an all-out civil war. "When I see a terrorist I kill him, that's it, and every Islamist is a terrorist.

"You should come with us when we go bunting for them."

NEWS: UK

Rover Group set for £2bn expansion

By John Griffiths

Rover Group today announces an expansion of its engineering facilities as a prelude to more ambitious new product plans than envisaged at the time of its takeover by Germany's BMW early last year.

Rover hopes to produce 750,000 vehicles a year by the end of the decade, compared with 478,000 last year.

Spending on the projects, coupled with upgraded production facilities, is expected to reach nearly £2bn by 2000. That would be an increase of more than 60 per cent – about £700m – over Rover's previous £1.2bn five-year investment programme, to the end of last year. Mr John Towers, Rover's chief executive, says that by the end of the decade Rover's annual vehicle output might be nearly half as high again as this year's projected 520,000.

Rover will announce today that it is seeking 100 extra engineers immediately. The total number of new engineering recruits may be 300 over the next several years as additional model programmes get under way.

Rover executives decline to discuss intended new model programmes. But they are known to include a new four-wheel-drive leisure vehicle much smaller than the current Land Rover Discovey and Range Rover; a replacement for the Rover 600/800 ranges; and perbaps a successor to the Mini. There would be several other "niche" products.

A number of other capital investment projects form part of the programme, including £42m for transforming the Longbridge paint plant to use weter-based paints, and the planned upgrading and refurbishment of all the group's paint plants.

Rover's previous £1.2bn five-year programme funded 30 new models and derivatives.

Most of the additional engineering jobs will be at the company's 900-acre research, development and test track facility at Gaydon in Warwickshire.

Three months ago, Rover said it would spend £25m adding e new design and engineering centre at Gaydon, which from 1997 wil become the site of all new vehicle design and development operations, with a workforce of nearly 2,000. The engineering centre itself will employ up to 1,000.

Rover at present has a total engineering staff of around 2,500. Supported by BMW's chairman, Mr Berndt Pischetsrieder, it says it is determinad to remain able to design and develop complete vehicles, including engine ranges and transmission systems.

The new recruitment programme will bring to over 3,000 the jobs created at Rover in the past two years. Total employment is about 35,000.

Labour leaders in bomb threats

Secnrity aronnd sanior opposition politicians was tigbtened yesterday after the extreme national group the Scottisb National Liberation Army – which advocates independence – admitted sending letter bombs to Labour party leader Mr Tony Blair and other targets, Kevin Brown writes.

The SNLA, a small gronp disowned by the Scottish National party, claims that Labour's support for devolntion is a betrayal of Scotland's beritage.

One bomb was sent to Mr Blair's home in County Durbam, northern England, during the weekend and others to the Inverness theatre where the party's Scottish conference was taking place, and to the home of Mr George Robertson, shadow Scottish secretary.

None of the crude devices ignited when opened, and were removed safely by police.

The SNLA said that more bombs were in the postal system.

Meanwhile police said a crude parcel bomb was delivered in yesterday's post to Labour Party headquarters – John Smith House in Walworth Road, south London.

Mr Robertson said Labour would not be deterred by "e handful of cranks".

PM raps Clinton-Adams meeting

By John Murray Brown in Dublin and John Mason in London

Prime Minister John Major, speaking in Jerusalem, last night launched a thinly-veiled attack on US President Bill Clinton's St Patrick's Day invitation to Mr Gerry Adams, leader of Sinn Féin, the political wing of the IRA.

Mr Major is to meet former terrorist leader and Palestine Liberation Organisation chairman Yasser Arafat during his visit to the middle east, and pointed to contrasts between the two men.

Mr Major is seen in Washington to be doing little more than Mr Clinton in meeting a former terrorist leader now apparently committed to peace.

Mr Major said: "Terrorism has now been renounced by Chairman Arafat. I have not seen it comprehensively denounced by Mr Adams."

"Chairman Arafat has signed a declaration of principles. Sinn Fein have not yet committed themselves to the Downing Street Declaration and they are not yet party to any agreement in Northern Ireland."

In what was takeo to be a pointed reference to tbe Adams-Clinton meeting, Mr Major said: "It was only after Chairman Arafat had signed a declaration of principles that I met him last year in Downing Street."

Meanwhile leading figuras from Sinn Féin yesterday songbt to capitalise on Mr Adams' trip to the US by increasing pressure on the British government over the timing and terms of possible meetings between themselves and ministers.

Sinn Féin chairman Mr Mitchel McLaughlin warned it would be an "embarrassment on an international scala" if British ministers had not sat down with Sinn Féin before Mr Adams meets President Clinton on Friday.

In a parallel move, Mr Martin McGuinness, Sinn Féin's leading negotiator in the talks, warned it would not be realistic for Sinn Féin to demand the IRA began decommissioning its arms before talks with ministers began.

Mr McGuinness, speaking on television, called the Britisb stance "negative" and hinted that a return to violence was possible if there was no progress with the peace talks.

Mr McLaughlin claimed there was "a very real possibility" that talks could resume this week. But the Northern Ireland Office insisted that no date has been fixed for future talks. The government's conditions for a meeting between Sinn Féin and ministers remains that it must first receive "bankable assurances" about Sinn Féin's intention to decommission its arms stocks. But officials say Mr Adams' statement that Sinn Féin would be prepared to discuss decommissioning does not go far enough.

A snub from Mr Clinton, Page 15

Channel tunnel boost for rail sell-off

By Charles Batchelor, Transport Correspondent

One of the four consortia bidding to build the £2.9bn ($4.75bn) high speed Channel tunnel rail-link also plans to bid for at least four passenger train operating franchises.

London & Continental Railways, whose members include Virgin, the airline and entertainments group, and the National Express coach company, is expected to bid for franchises to run trains on the east and west coast main lines, the Midland main line and the Great Western Railway, it emerged yesterday.

This represents a considerable boost for British Rail privatisation plans. After initial expressions of involvement from several shipping and bus companies, interest appeared to have waned as details of the privatisation became clearer.

LCR will register its desire to bid for all eight of the initial passeoger franchises to be offered when listings close on Friday. But it is understood to have a special interest in the franchises with lines radiating ont of London which would feed passengers into services to continental Europe.

The group, with ambitions to obtain a stockmarket listing and become an FT-SE100 company, believes Channel tunnel services are the key to the growth of domestic rail services. It wants to establish itself as a significant operator of integrated transport natworks. Its rail services could link with the airline and coach operations of its members.

A company which won the Channel tunnel rail-link contract as well as several rail passenger franchises would be well placed in the emerging railway sector.

LCR and the other three consortia interested in bidding for the 68-mile high-speed line between London St Pancras and the Channel tunnel must file formal bids by tomorrow. The winning bidder for the Channel tunnel railink would gain the contract to build the line and a concession to operate services for 999 years. The winner is expected to be the company which requires the smallest government subsidy and demonstrates its ability to run an efficient railway.

The government will transfer ownership of European Passenger Services, the company which operates Enrostar expresses between London, Paris and Brussels, and Union Railways, designer of the route, to the winning bidder.

UK NEWS DIGEST

Labour to back market economy

The opposition Labour party's leadership promised tough action to create jobs in a last-minute attempt to win trade union support yesterday for a revised Clause 4 that will endorse the market economy but fail to pledge full employment.

In the most radical change to Labour's objectives since the Clause 4 constitutional commitment to mass nationalisation was drafted in 1918, Mr Tony Blair, party leader, will today announce a replacement that combines qualified support for public ownership with firm backing for private wealth creation.

Buoyed by a bigger-than-expected vote for change at the Scottish party conference on Friday, Mr Blair has decided to resist strong pressure from trade union leaders for an explicit constitutional commitment to full employment.

However, Mr Gordon Brown, shadow chancellor, sought to placate the unions with a clear assurance to the party's Scottish conference yesterday that Labour would use "every instrument of government" to achieve a fully employed society.

Mr Brown, a close ally of Mr Blair, said Labour would intervene in industry to boost manufacturing, attack long-term unemployment through subsidies to employers, abolish youth unemployment by setting up an environmental task force, and raise a utilities windfall tax to pay for "an emergency programme to get Britain back to work".

Kevin Brown, Political Correspondent

Cazenove 'considered' takeover of Barings

Cazenove, the blue-chip stockbroking firm, were considering a takeover offer by Barings at the time the investment bank went into administration.

Sources familiar with the talks said that partners at Barings approached Cazenove partners, with whom they have had a long-standing working partnership, about a deal valued at £350m. "Cazenove didn't say Yes but they didn't say No," said one source familiar with the discussions.

The fact that Cazenove partners, who have always insisted on maintaining their independence, were prepared to surrender it is seen as e sign of fundamental changes in the UK investment banking business. The increasing emphasis on the ability to sell shares to non-UK investors and changes to the way equity capital is sold in Britain threaten to undermine the stockbroker's franchise, investment bankers have said.

Cazenove recently announced its first joint venture, with a US-based fund manager to create a new international small companies stock index. At the time, Cazenove signalled it may be prepared to form ventures for other parts of its business.

Norma Cohen, Investments Correspondent

UK fund managers 'herding', study finds

UK fund managers are displaying greater "herd instinct" than ever in their investment decisions, new performance data show.

According to WM Company, a performance measurement service, the returns earned by the top performing fund managers in 1994 were only 2 percentage points above the worst performers. In previous years, the spread has been almost double that.

Mr Peter Warrington, marketing director at WM, said the latest data suggest that most managers will find it difficult to achieve one of the most frequent performance-related targets, which requires them to beat the industry median by 2 percentage points. "In 1994 e fund would have needed e top decile position to achieve an average or 'median plus 2 percent' performance target," be said.

The WM figures include results for 1,414 pension funds valued at £313bn ($513.32bn).

Norma Cohen

US drugs company to set up in Wales

Almedica Services, a US pharmaceutical industry company, is to set up a European base in Clwyd, north Wales. The factory on Deeside industrial park will provide specialist services to belp pharmaceutical manufacturers carry out clinical trials. It is planned to expand the workforce to 60 people during the next two years and eventually to employ about 200.

Almedica (Europe) will lease a 25,000 sq ft factory from the Welsh Development Agency. Mr David Rowe-Beddoe, WDA chairman, said about 150 North American-owned businesses were now established In Wales. The agency had recently reorganised and strengthened its representation in North America to maintain and build on the relationship with American companies. *Roland Adburgham*

MPs attack Lloyd'a regulation: The end of self-regulation for the Lloyd's of London insurance market is set to be recommended by the Commons Treasury select committee. MPs on the all-party committee have yet to reach a formal conclusion but it is understood there is unanimity that self-regulation at Lloyd's has proved a disastrous failure and must end. The committee, which is expected to report by Easter, has yet to decide what form of regulation it thinks should replace tbe current regime.

Engineering pay deals average 3%: Pay settlements in the UK engineering sector averaged about 3 per cent in January according to details published today by the Engineering Employers' Federation. Tbe January settlements ran slightly higher than tbe 2.97 per cent everage increases in the last quarter of 1994. January pay deals usually have a strong infinence on those made during the rest of the year since some 30 per cent of federation members make settlements at this time.

CONTRACTS & TENDERS

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Bnt. Gas Int Fin 10⅛% Bd '98 C$101.25
Fuji Bank Int Fin 8⅝% Bd '01 $86250.0
Gen. Motors Acceptance 9⅛% Nts Mar '96 $456.25
Honda Motor 6⅞% Bd '98 Y687500.0
Hydro-Quebec 12¾% Ln '15 £6.375
Kunick 0.5p
Lloyds 10¼% Sb Bd '98 £1025.0
Marubeni Int Fin Var Rate Bd '96 Y645000.0
Prism Leisure 1.15p
Sapporo Brew. FRN '97 Y663541.0
Smith (D.S) 4.25p
State Bank NSW10¾% Bd '02 A$107.50
Tokai Bank Ned. Fltg/Fxd Rate Nts '04 $29385.42
Victorian Public Auth. Fin Agcy 11% Bd '02 A$110

TOMORROW
Bankamerica $0.46
Bank of Ireland $165.63
Chase Manhattan FR Sub Nts '09 £39267.12
Crabtree 5p
HK Shanghai Bank. FRN 2nd Ser $82.03
Limited Inc. $0.10
SAS - Scandinavian Air. System 9¼% Bd '99 FFr925
Tenneco $0.40
Trafalgar House 1p
Young and Co's Brew. 9½% Debenture Stk '18 £4.75

■ **WEDNESDAY MARCH 15**
Ashanti Goldfields $0.25
Atlantic Richfield $1.375
Brad. Bingley Bldg Soc FRN '95 £161.62
Brunswick $0.125
Christiania FR Sub Nts '01 $270.24
Colorvision 0.3p
CSX $0.44
Dana $0.21
Dover $0.26
Edinburgh Inv Tst 3.65% 1.825p
Ford Motor $0.26
Do B.D.R. $0.013
Forte FRN '99 £1745.68
Gartmore Am. Secs. 11⅜% Deb Stk '14 £5.6875
Gentra FR Sub Cap Debs '98 $280.93
Ireland 12% Conv.'95 IR£6
Do 14½% Fin. Ln. IR£7.25
Louisiana Land & Expl. $0.06
Midland Bank Dllr Pref Shs Ser A1 $0.355
Do Non-Cum Non-Vtg Dllr Pref Shs Ser A2$0.08875
Midland Intl Fin Serv BV FRN '89 $276.53
Morrison (Wm.) Supermarkets 5¼% 2.625p
Newcastle Bldg Soc 12⅝% £63.125
Pennzoil $0.75
Prospect 1 Ass Bkd FRN '03 £1694.38
Do Mezzanine Certs '03 £461.82
Quebec 12¼% Ln '20 £6.125
Royal Bank Canada Govt Stlg 1p
Sanwa Australia Fin F/FRN '04 $1734.38
Spintab AB FRN98 $142.98
Sweden 9¾% Ln '14 £487.50
Thomson $0.125
Time Warner $0.09
Trinova $0.18
Trizec 11⅞% C$118.75
TR Smaller Cos Inv Tst 1.5p
TRW $0.50

■ **THURSDAY MARCH 16**
Albion 1.6p
Brit. Funds 2% IL Treas. '96 £2.12
Daejan Holdings 12p
Leeds Permanent Bldg Soc FRN '98 £167.03
Lombard Ins 2.75p
Pfizer $0.52
Royal Bank of Scotland 5½% 1.925p
Sumitomo Chem. 6.4% FRN '97 Y64375
Unidare 9.8p

■ **FRIDAY MARCH 17**
American Intl $0.115
Beatrix Mines R0.60
Daiwa Europe Bank 4% Nts '98 Y522222
Do 4.25% Nts '98 Y554861
Do 4.50% Callable Nts '00 Y587500
Do Step-up Callable Nts '98 Y404722
Do Step-up Callable Nts '00 Y391667
Do 4.50% Non-Callable Nts '00 Y587500
Do 5% Sub Nts '05 Y652778
Elandsrand Gold Mining R0.25
Export-Import Bk Jap. 9½% Bd '99 $475
Genbel Inv R0.12
Grootvlei Propriety Mines R0.25
Grosvenor Inns 2.5p
Hankyu FRN '96 Y65388
Inco $0.10
Jasmine FR Secd Nts '03 Y2108767
Kinross Mines R2
Leslie Gold Mines R0.30
NK Properties R0.303
Northern Foods 3.5p
Park Food 1p
St. Helena Gold Mines R1.90
Stilfontein Gold Mining R0.40
Unisel Gold Mines R0.35
Veal Reefs Expl.& Mining R5.25
Welsh Motor Utilities Fin 7⅛% Bd '04 £71.25
Western Deep Levels R2.25
Winkelhaak Mines R1.50
Witan Inv 3.4p

■ **SUNDAY MARCH 19**
Brit. Funds 11½% Treas.'01/04 £5.75
Ransomes 5½% 1.925p

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Eurocamp, Cottons Hotel, Manchester Road, Cheshire, 2.30
BOARD MEETINGS:
Finals:
BPP Hldgs
BSM Grp
Britton Grp
Candover Inv
Doeflex
Emerald Energy
Enterprise Oil
Fairey Grp
Gartmore
Graseby
Greggs
Herald Inv Tst
Hiscox Select Ins
ISA Intl
JIB Grp
Kingfisher
Medeva
Mallett
Mayborn Grp
Mid-States
Mayborn Grp
Merchants Tst
Needler Grp
Pendragon Grp
Perkins Foods
Radius
Refuge Grp
Rugby
Scotia Hldgs
Singer & Friedlander
Takare
United Carriers
Watmoughs Hldgs
Yorkshire Tyne Tees
Interims:
Cala
Domestic & General
European Leisure
Kleinwort Devl. Fd.
MAI

■ **TOMORROW**
COMPANY MEETINGS:
First Leisure, Equinox Discotheque, Leicester Square, W.C., 12.00
Witan Inv, Royal Horticultural Society, 80, Vincent Square, S.W., 7.00
BOARD MEETINGS:
Finals:
CIA Grp
Crockfords
Dunedin Inc Gwth
Epwin Grp
Ferry Pickering
Fleming Merc Inc
Glynwed Intl
Hall Eng
Hampden Grp
Inspec
Reed Intl
Rosebys
Saatchi & Saatchi
Wellington Hldgs
Williams Hldgs
Interims:
Everest Foods
Waverley Mining

■ **WEDNESDAY MARCH 15**
COMPANY MEETINGS:
BOARD MEETINGS:
Finals:
Baynes (Charles)
Church & Co
Computer People Grp
Eng China Clay
Haywood Williams
Holliday Chemicals
Nichols (JN) (Vimto)
Jacobs (JI)
Kleinwort Smaller Co's
Lambert Haworth
Marley
Paion
Premier Cons
Schroders
Spandex
Steel Burrill Jones
Interims:
British Data Mgt
For. & Colonial High
Golden Hope Plantations
Northern Leisure
Select Inds

■ **THURSDAY MARCH 16**
COMPANY MEETINGS:
River & Mercantile Tst, New Connaught Rooms, Great Queen Street, W.C., 12.00
BOARD MEETINGS:
Finals:
Antofagasta Hldgs
British Mohair Hldgs
CU Environmental Tst
Davis Service
Dawson Group
Eng & Scot Inv
ERA Grp
Kwik-Fit
Legal & General Grp
Minorco
Moorfield Est
OGC Intl
Reckitt & Colman
Sanderson Bramal Motor
Sirdar
Spandex
Telewest Comm
Tilbury Douglas
United Biscuits
Virtuality
Interims:
Wetherspoon (JD)

■ **FRIDAY MARCH 17**
COMPANY MEETINGS:
Central Motor Auctions, Central House, Pontefract House, Leeds, 12.00
Johnson Fry Second Utilities Tst, The Stafford Hotel, St. James's Place, S.W., 11.30
BOARD MEETINGS:
Finals:
Cairn Energy
HSBC China
Molins
Perry Group
Wassall
Interims:
Fortnum & Mason

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports are not normally available until six weeks after the board meeting to approve the results.

CONFERENCES & EXHIBITIONS

MARCH 20-21
Model 1: Futures
Aimed at users of derivative products - fund managers, dealers, managers. Covers the principles and practice of future pricing, the mechanisms, using futures in risk management and hedging and speculation. Futures market organisation, Mark to market and margining, Pricing, valuation and trading techniques. £625 plus VAT.
Contact, BPP Bank Training - John Vernon
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

MARCH 22
Risk Management Overview
Definitions of Risk Management * Trading Room - Market & Position Risk * Case Study on F&O's - Hedging * Capital Adequacy and Regulators * Cash Management & Payment Netting * Exposure Monitoring * Trading & Accounting Policies * Risk Management Control Issues Includ. Confirmations and Reconciliations, £195 + VAT 1 day Contact: TFL/Nicola Blackman Tel: (0044) 171-606-0084/600-2123 Fax: (0044) 171-600-3752
LONDON

MARCH 22 & 23
The Ascendant Organisation
This is a rare treat for anyone involved in changing their organisation, whether it be on a macro or micro level. Peter D Wickens DBE, former Personnel & Information Systems Director at Nissan (UK) for the first time will present and involve you in his formula for business success - "The Ascendant Organisation". This event marks the launch of his latest book on the subject. For further information please contact Rachel Thomas or Sarah Williams.
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 22-23
Module 2: Options
Aimed at users of derivative products - fund managers, dealers, managers. Covers the terminology and market practices of traded options, methods of valuing financial options, using options as speculative instruments and in risk management. Option pricing models, Volatility analysis, Barrier, average rate and basket options. Trading strategies. £625 plus VAT
Contact: BPP Bank Training - John Vernon
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

MARCH 22-24
Credit Evaluation & Lending - Advanced Level
Evaluating, structuring and controlling complex facilities and portfolios - for experienced credit analysts and managers. Equity vs Debt, Project Finance, Securitisation; Management Buyouts/ins, Acquisitions, Investment/Project Appraisal, "Off Balance Sheet" Transactions; Derivatives - FRAs, Currency/Interest Rate Swaps/Options; A Review of Risks/Danger Signals - Case Studies. £595, 3 days.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

MARCH 22-24
Introduction to Foreign Exchange
Ideal for newcomers to dealing or bankers and corporate executives. Explains the markets, the products and relates them to bank and corporate treasury divisions.
• Practicalities of dealing, terminology • spot and forward markets • Fundamental economics • FX Risk management • Overview of currency futures and options. £795 plus VAT.
Contact - BPP Bank Training - Pam Powell
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

MARCH 23
How to lead in a changing world
Leadership is critical in the performance of any company. This one-day conference will look at the challenge of strategic leadership. Speakers will include Professor John Adair, Jack Rowell, Chris Swan and David Potter. Institute of Directors - 0171 730 0022
LONDON

MARCH 23
Standard Form Contracts - Are Your Terms Fair?
CBI/Clifford Chance conference will examine the implications of the new UK Regulations enforced by the EC Directive on Unfair Contract Terms in Consumer Contracts which will be operative in the UK on 1 July 1995. Practical guidance will be offered with particular emphasis on the assessment of contracts in the light of the new tests. Contact: Nicola Martin, CBI Conferences, Centre Point
Tel: 0171 379 7400 Fax: 0171 497 3646
LONDON

MARCH 23
Understanding Agency and Distribution Agreements
Between machinery manufacturers and their agents/distributors in the EU. Aimed specifically at processing and packaging machinery suppliers but also applicable in printing, plastics and other mechanical engineering industries. Two leading authorities will explain the rules in a seminar tailored to the machinery industry. Cost: £230. To book: PPMA LTD -
Tel: 0181 681 8226 - FAX: 0181 681 1641
LONDON

MARCH 23-24 1995
PlanEcon Conference Announcement
Transition & Recovery in Eastern Europe and the Former Soviet Republics and East European & Former Soviet Energy Sector: Recovery in Sight? PlanEcon, DRI/McGraw-Hill conferences with Boris Fedorov, Petr Bod, and Terry Adams. Contact Coriane Redonnet on + 44-81-545 6212
LONDON

MARCH 23
Capital Instruments and Off Balance Sheet Finance - Accounting Implications
Course examines the current status of these areas and their impact on the analysis of financial statements:• Why companies use these instruments • Off Balance Sheet Finance schemes and their control • Types of capital instruments and their accounting • Disclosure of information in financial statements • £300 plus VAT
Contact - BPP Bank Training - Pam Powell
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

MARCH 27
Interviewing For Lending
The time available for gaining and evaluating information from customers is at a premium, and many losses and disputes could be avoided by skilful interviewing. A better understanding of customer needs can also enhance the fees and margins earned.
• Key Skills - Questioning, Listening, Summarising. • Needs identification and analysis. Negotiating. £245 1 day.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

MARCH 27
Romania Business Day
CBI DTI Creditanstalt conference which will give delegates the opportunity to learn of business openings in Romania from a UK and Romanian perspective as well as being able to mingle with Romanian and UK companies on a one to one basis. To be attended by Mr Cosea, Romanian Minister of State as well as 35 Romanian companies. Contact: Sandra Aldred, CBI Conferences, Centre Point
Tel: 0171 379 7400 Fax: 0171 497 3646
LONDON

MARCH 27 - 28
Free Windows™ In Finance Exhibition
The top suppliers will be exhibiting their latest Microsoft® Windows™ based IT solutions. Focusing on Corporate Banking, Retail Banking and Insurance. Entry is free, pre-register by calling:
Charlotte Stone on 0171-242-2324
LONDON

MARCH 28 & 29
Performance Measures
Here is a conference agenda that is devised for those that need to know the "How to" and "What to" measure of performance. Each talk is presented by a practitioner directly involved in making performance measures work. Companies represented include Motorola, Rover Group; British Telecom; Hewlett-Packard; and the TSB. For further information please contact Rachel Thomas or Sarah Williams.
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 28-29
Electronic Messaging
Electronic messaging is one of the most important requirements to survive in an increasingly dynamic market and to play a role in its future. Topics include: interconnecting existing messaging communities; workgroup computing; mobile and remote workers; electronic messaging and EDI; desktop applications; information security standards. Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 28-29
Furnaces 95
The event for the latest plant, equipment, materials, consumables, ancillary products and services associated with furnaces, refractories, heat treatment and fuel economy. For free exhibition admission tickets contact Gabriele Mendis, FMJ International Publications Ltd.
Tel: (01737) 768611 Ext 3375
Fax: (01737) 761685
STONELEIGH, COVENTRY

MARCH 28-29
The Role of IT in BPR: Enabler Versus Dictator
This seminar examines intersections and synergies between BPR and information technology, and investigates pros and cons of application-pull versus technology-push. It identifies the critical success factors in BPR; explains the practical steps to exploit the synergies; analyses the role of the IT community in BPR. Followed by a separate two-day workshop: "Aligning IT and BPR: building the enterprise model."
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 28 & 29
Specialist Product Training for Middle/Back Office Functions Product Processing
* Parties in a Trade * Types of Transaction * Agents * Trade Capture * Limits * Instructions * Database Maintenance * Positions * The Regulatory Environment * Accounting Overview * Management Information * Post Trade Data Transaction Controls * Funding * Settlements. £395 + VAT 2 days. Contact: TFL/Nicola Blackman. Tel: (0044) 171-606-0084/600-2123 Fax: (0044) 171-600-3751
LONDON

MARCH 29
UK Coal - A Fresh Start
A one day seminar, discussing major changes in the post-privatisation UK coal industry, including the implications for private miners, the size of the market, transport and competition. To take part, contact: Carol Smith, McCloskey Coal Information Service, PO Box 15, Petersfield, Hants GU32 3RG
Tel: 01730 265095 Fax: 01730 260044
LONDON

MARCH 29-30
How to successfully plan and manage re-engineering projects:
The role of frameworks, information technology and software tools to support process redesign. Presents a practical guide to managing the analysis, redesign, modelling & implementation phases of process re-engineering. Outlines how to develop new skills & capabilities, & how to apply the latest software tools & methodologies.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

MARCH 30
Marketing Technology into the Home Conference
This dynamic conference aims to give guidance to companies who are switching from a business to business marketing model to a consumer marketing one. Successful organisations are changing their message to avoid ending up on the new technology scrap heap. Learn and share ideas with leaders in the industry. Speakers include, amongst others, John Leftwich, Microsoft and Simon Turner, Philips Media.
Contact: Fiona Ray, Haymarket Events
Tel: 0171 413 4433 Fax: 0171 413 4331
LONDON

MARCH 30
Banks, The City and Politics
The banks and: the economy; industry; the press; the government. The Chartered Institute of Bankers' first annual conference is sponsored by AT&T and will be chaired by Sue McGregor. Speakers include Eddie George, Tom Farmer and Christopher Fildes.
Contact: Gillian Wright, CIB
Tel: 0227 762600 Fax: 0227 763788
LONDON

MARCH 30 & 31
Planning for Profit
COALBED METHANE in the UK & EUROPE. This conference will bring you up to date on progress made in the UK and Europe in techniques and opportunities for the profitable extraction of coalbed methane based on research and case study examples. Speakers include Keith Leighfield of the UK Coal Authority, together with representatives of coalbed organisation in Poland, the Czech Republic and France.
Contact Rachel Thomas or Sarah Williams
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 30-31
Selling Skills for Private Bankers
• Client profile criteria, information gathering. Product knowledge. • Interpersonal skills, non-verbal communication. Telephone techniques. Listening. • Planning the sales initiative preparing for meetings. • Selling skills - presentation. Buying signals. Handling objections. Introduction specialists. • Negotiating and closing the sale. • Customer care and quality. Service differentiation, relationship management. £395 2 days. Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

APRIL 3-4
Credit Evaluation & Lending - Small Businesses
For loans officers and new business executives within banks and building societies. Evaluating Business Proposals and Accounts, Understanding the Entrepreneur, Debt Servicing, Cashflow, Breakeven, Sensitivity Analysis, Credit Evaluation, the Lending Decision, Saying No, Controlling Lendings, Sources of Information, Recognising Early Warning Signals and Formulating Action Plans, Key Factors in a Successful Banker/Customer Relationship. £395, 2 Days. Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

APRIL 3-7
Document Management Roadshow visiting Glasgow, Bradford, Coventry, Heathrow and Bristol
Providing efficient access to information in your business can be a daunting task! Find out how Document Management and Workflow can improve productivity and customer service. Free seminars and presentations.
Tel: 01905 613236 or Fax: 01905 29138 for registration details
VENUE: GLASGOW, BRADFORD, COVENTRY, HEATHROW AND BRISTOL

APRIL 4
The New Crest System For Security Settlement
CBI/Bank of England conference in conjunction with Systegra will inform companies and their advisers about CREST and how best to prepare themselves for the changes that the move to the new settlement system will involve. Company secretaries, registrars, brokers and corporate lawyers should attend.
Contact: Nicola Martin, CBI Conferences, Centre Point
Tel: 0171 379 7400 Fax: 0171 497 3646
LONDON

APRIL 4 - 5
East European Logistics Briefing
Nowhere is the gap between strategic intentions and operational fulfilment so wide as in the Eastern and Central European economies. This briefing will look at practical issues such as opportunities for contracting out transport and warehousing, and customer service levels.
Contact: Pam Patient at Cranfield School of Management. Tel: +44 (0) 1234 751122
CRANFIELD

APRIL 4 & 5
Using Cost Awareness to Drive Customer Service; Budgeting; Supply Strategies; Quality
"Cost awareness" is simply making costs visible to those responsible for making your operation a success. This enables better informed decision at all levels of the organisation. It is an essential part of any empowerment programme - giving responsibility and ownership of any decision and its cost implications.
Contact Rachel Thomas or Sarah Williams.
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

APRIL 5-7
Management Skills for Senior Executives
Aimed at senior managers and executives in the financial sector with direct people management responsibilities. Delegates will be equipped with proven frameworks & concepts across a range of management skills, understand & practise the role and skills of management and team building, examine the strategic implications of organisational theory and apply them to their own organisations development.
Contact FUTURES Quality Financial Training, part of AT&T.
Tel: 0121 742 9099 Fax: 0121 742 9964
LONDON

APRIL 6
Challenging Offshore Structures
CPD Accredited
This conference will cover information gathering, the extent of equitable tracing, testing offshore structures, international insolvency, international fraud investigations and Case Study: breaking an asset protection trust. These topics will be covered by a prestigious panel of speakers.
Contact: International Professional Conferences Ltd on 0161 445 8623
LONDON

APRIL 6 & 7
Managing Relocation
The UK's top major annual relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: relocation policy review; tax, NI & reporting; international remuneration; group moves and operating in Eastern Europe.
Contact: Natalie Munden CBI Employee Relocation Council. Tel: 071 379 7400 Fax: 071 836 1114.
NORTHAMPTON

APRIL 11-12
UK Airports Policy: A New Agenda
A conference examining runway capacity issues, slot allocation, the planning and environmental aspects of future airport needs and regional airport privatisation. Speakers include Viscount Goschen (Minister for Aviation), Des Wilson (BAA), Keith Williams (NATS) & representatives from CAA, DoT & US airlines. Chaired by Russell Sunderland, Chairman, RUCATSE Working Group.
Contact: Claire Dexter, The Waterfront Conference Co
Tel 071 730 0410 Fax: 071 730 0460
LONDON

APRIL 11 - 12
Increasing Business by Telephone
An interactive course covering all the key areas which make you successful on the telephone, i.e. Building better relationships, effectively promoting products & Services, controlling incoming and outgoing calls. £495 + VAT, inclusive of accommodation, meals and refreshments.
Contact: STRUCTURED TRAINING 01926 337621.
LONDON

APRIL 11-12
International Purchasing Supply Management
A major international 2 day event on best practice and new concepts in Purchasing and Supply Management. Over 50 speakers from the UK and overseas. £215
For further details contact:
The Contracts and Procurement Research Unit, The University of Birmingham
Tel: 0121 414 3221 Fax: 0121 414 3217
BIRMINGHAM

APRIL 11 & 12
Specialist Product Training for Middle/back Office Functions Introduction to Derivatives
Interest Rate Swaps * Off Balance Sheet * Forward Forwards and FRA's * Accounting Overview * Financial Futures * Currency Swaps * Warehousing * Internal Deals * Swap Process * Interest Rate Options incl. CAP's, Floors, Collars * Case Studies Throughout.
£395 + VAT 2 days Contact: TFL/Nicola Blackman. Tel: (0044) 171-606-0084/600-2123 Fax: (0044) 171-600-3751
DUBLIN

APRIL 11 - 13
Customer Profitability
Suitable for executives and managers in the financial sector who are involved with or intend to implement customer profitability systems. Provides delegates with an understanding of how customer profitability systems can add to profits and competitive advantage, prepare & interpret customer profitability statements & be aware of implementation difficulties and practical solutions which will achieve a working profitability analysis.
Contact FUTURES Quality Financial Training, part of AT&T.
Tel: 0121 742 9099 Fax: 0121 742 9964.
LONDON

APRIL 18-19
Introduction to Banking Systems
Executives and managers who require an non technical insight into use and benefits of computer technology within banks. Upon completion, delegates know how computer technology is being used, the benefits of using technology in key areas such as marketing, managing costs, controlling risks and improving complex decision making processes.
Contact FUTURES Quality Financial Training, part of AT&T.
Tel: 0121 742 9099 Fax: 0121 742 9964.
LONDON

APRIL 25
Advertising, Selling & Sponsorship on the Internet
Designed for sales and marketing professionals, the conference includes live demonstration of The Internet and exploration of publishing, sales and marketing sites on The World-Wide Webb. Speakers from agencies, clients and service providers already doing business on the Net. Hammond: Tel: +44-181-943 9700
Fax: +44-181-943 9997
eMail: admin@hammconf.demon.co.uk
LONDON

APRIL 25-26
Agent Software
The first commercial UK event to look at agent software technology. Agents can keep track of stock levels for inventory control, or share prices, to provide opportunity advice; seek out information for the user or sort incoming mail. This is becoming a potentially invaluable service given the increasing amount of information available with the growth of the Internet. Users, suppliers and developers explain their experiences and vision of how this technology will work for you. Contact Unicom Seminars, 0895 256 484, fax 0895 813 095
LONDON

APRIL 25-26
Re-engineering for growth
Leading seminar series on Business Process Re-engineering. Enhanced 1995 programme includes new sections on self-managed teams and radical reengineering for growth. Coaching style of presentation. Based on 150 successful BPR projects. 60 organisations in the private and public sectors attended in 1994.
Contact: Vertical Systems Intercede Ltd.
Tel: Richard Parris 01455 250 266
Tel: Mike Abbot 0734 464 746
Fax: 01455 890821
LONDON

APRIL 26
Presentations for Finance Professionals
Businessmen, designers, actors and stand-up comedians show you how to package your concepts, when to use humour, slides ... Let us empower you to sharpen your presenting skills. High Security Regulations Require Pre-Registration.
Contact: Executive Presentations
Tel: +44 0171 251 5053
Fax: +44 0171 490 0566
US EMBASSY, LONDON

APRIL 26-27
Re-engineering Customer Relationships:
How to redesign core processes and transform corporate culture to achieve service excellence. As products become easier to imitate and markets increasingly crowded, companies are realising that high levels of customer service and satisfaction are now key to achieving competitive advantage and sustaining profitability.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

MAY 2
Middle East Stock Markets
A full day conference for investors covering 10 Arab Islamic markets. Key speakers include Khaleel Ahmed, senior investment officer, International Finance Corporation Washington; Mahmoud al-Jarwani, executive president, Muscat Securities Market; Dr Umayya Toukan, director general, Amman Financial Market; Dr Fag El Nour, Chairman, Capital Markets Authority, Egypt. £75 (+ VAT) including lunch.
Contact: MEED Conferences, London
Tel 0171 404 5513 Fax: 0171 430 0337
Hyde Park Hotel, LONDON

Invitation to join
EUROPEAN ELECTRONICS MISSION TO BEIJING, CHINA
13 - 21 MAY 1995
*****
European electronics manufacturers and component suppliers are invited to participate in an industrial mission to Beijing, China.
The objective is to promote and facilitate partnerships, alliances and businesses opportunities between European and Chinese electronics companies.
The mission is supported by the European Commission and the Ministry of Electronics Industry, Beijing.
*****
For Further information please contact:
International Co-operation Europe Limited
Ms. Sinead Gillen
Tel: +32 2 238.78.13/02/38 Fax: +32 2 238.77.16

MAY 4
Trusts - Conference One: International Issues & Problems
MAY 5
Conference Two: Types & Alternatives
These two one-day events will be covered by a prestigious panel of speakers.
Contact: International Professional Conferences Ltd
Tel: 0161 445 8623
LUXEMBOURG

MAY 10
Technology & The Lending Banker
Aimed at executives and senior management in the financial sector who are involved in a change programme in credit risk management; and managers wishing to understand the latest developments in computer-based lending programmes.
Contact FUTURES Quality Financial Training, part of AT&T.
Tel 0121 742 9099, Fax 0121 742 9964.
LONDON

MAY 16 - 17
Creating the Learning Organisation:
The essential route to continuous improvement, flexibility and corporate renewal. Conference provides a practical guide to developing the programmes, skills and working practices required to embed organisational learning in the business. Keynote presentation David Garvin, Professor of Business Administration, Harvard Business School.
Contact: Business Intelligence
Tel: 0181-543 6565 Fax: 0181-544 9020
LONDON

MAY 24-25
Succeeding with Teams
How to overcome the cultural and organisational barriers to effective teamworking. Process-based teams provide companies with flexibility, speed and productivity, but they will not succeed unless the cultural, communication and implementation issues surrounding teamworking are properly addressed.
Contact: Business Intelligence.
Tel: 0181-543 6565 Fax: 0181-544 9020
LONDON

JUNE 6 & 7
Disability: The Business Issues
Valuing Disabled People as Customers and Colleagues. Set against the backdrop of impending legislation, this comprehensive conference will present an authoritative discussion of its anticipated practical and financial implications to employers, plus the multifarious business benefits of valuing disabled people as both colleagues and customers. Keynote address by William Hague MP. Guest panellist: Tom Clarke CBE MP.
Contact: The Conference Partnership
Tel: 01256 330315 Fax: 01256 811500
LONDON

JUNE 6-7
Financial Crime Conference
Essential conference for all businesses, covering prevention detection and prosecution of white collar crime. Speakers at this unique event include FBI, SFO, Fraud Squad, leading lawyers and accountants, Rt Hon Sir George Young and Alistair Darling MP Law Society accredited.
Contact: Victor Trocki, Compliance Control Ltd Tel 0171 626 2000
LONDON

JUNE 15 & 16
Mergers & Strategic Partnerships For Building Societies
An examination and evaluation of the strategic options open to Building Societies. Of particular significance given the imminent lifting of restrictions on societies. Chief Executives from Abbey National, Alliance & Leicester, N&P, Britannia, Portman and Scarborough will address the event.
Contact: Mark Winters in AIC.
Tel: 0171 827 5948 Fax: 0171 242 1408
LONDON

INTERNATIONAL

MARCH 22 - 24
3rd European Biotechnology Partnering Event Sponsored by Ernst & Young and Atlas Ventures . . .
Unique opportunity to meet the Best Early Stage Opportunities in European Biotech: 30 companies presenting followed by one to one meetings.
Registration: Moret Ernst & Young, Mrs H de Ruiter, Fax: (31) 30 58 86 00.
AMSTERDAM

MARCH 21-23
European Monetary Union - Outlook for European Capital Markets
Special Guest Speaker: His Excellency, Mr Jacques Santer, President, European Union. This Conference addresses key issues related to developments of EMU including: different dimensions of stages II & III, the Convergence Criteria, and how the Single Currency might affect major financial markets. The conference has many distinguished speakers.
Contact Conference Department EEFC
Tel: London (+44)(071) 229-0402;
Fax: (+44)(071) 221-5118
LUXEMBOURG

MARCH 23
Eurobudget 95 Conference
Business opportunities for funding or work in 80.9 billion Ecu 1995 EU Budget expenditure, for national, regional, local authorities/private sector consultants, suppliers, contractors. Includes 200 page EU Budget Guide.
Société Générale de Développement SA.
Tel. +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MARCH 27-29
Sub-Saharan Oil & Minerals
The foremost conference on African oil and mining. Speakers include President Mandela and Cabinet Ministers from over 30 African countries. Co-hosted by the SA Chamber of Mines; Ghanaian Ministry of Mines & Energy; Nigerian National Petroleum Corporation; Sonangol; SA Ministry of Mineral & Energy Affairs and Europe Energy Environment.
Contact: 3 Hayne St, London EC1A 9HH
Tel: 44-71-600-6660 Fax: 44-71-600-4044
JOHANNESBURG

MARCH 29 & 30
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity generating industry in Central and Eastern Europe. A Forum on ownership issues, creative project financing, competition and cooperation opportunities. High level.
Contact: PennWell C&E
Tel: 31-30-650963 Fax: 31-30-650915
WARSAW, POLAND

APRIL 4 &5
Mediterranean Gas Markets - Opportunities and Constraints
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BRUSSELS

THIS WEEK

Brutal finale to infighting

DATELINE

Paris: The next six or eight weeks will see an end to the factional warfare shaking France, says David Buchan

Happily, there is an end in sight to the factional warfare that is shaking the French government – and supposed president of the European Union – to pieces.

The end could come on April 23, the first round of the French presidential election, when either Prime Minister Edouard Balladur or his fellow gaullist, Jacques Chirac, might be knocked out, leaving the other to go on to face Lionel Jospin, the Socialist, in a traditional left-right run-off election two weeks later.

However, if Jospin is the casualty on April 23, the gaullist civil war will continue till May 7, when finally Balladur or Chirac will triumph.

The next six or eight weeks could be brutal, even by the standards of French politics, a below-the-belt sport based more on personal infighting than the party disciplines which provide a form of Queensbury rules in parliamentary systems elsewhere in Europe.

Not that matters always run smoothly in these other parliamentary systems, particularly where coalition government prevails. Seeking to play down the open warfare between Balladur and the leading Chiraquien in his government, Alain Juppé, a (Balladurian) minister privately commented last week that this was no worse than the constant tension between Germany's Christian Democrat Chancellor Helmut Kohl and his foreign minister, Klaus Kinkel, who is also the Free Democrat party leader.

But it is different. The German CDU and FDP parties have gone into recent elections in indirect rather than direct competition, trying to improve their relative positions in a future coalition rather than trying to run each other off the road. Juppé did say that while he is campaigning for Chirac, he will not campaign against Balladur. Recent events, however, have shown the impossibility of maintaining such a distinction. Inevitably, Juppé wants to see Balladur bounced out of the race as early as possible.

That Juppé should be at the centre of much of the in-fighting is not surprising. He has long had his differences with the prime minister, whom he felt never gave him proper credit for his role in rallying European partners behind many of France's positions in the 1993 Gatt negotiations, and with Charles Pasqua, the interior minister who tends to conduct his own diplomacy in the Middle East and Africa.

But the onset of the presidential campaign has brought rivalries to a head. By virtue of also being current president of the RPR gaullist party, Juppé is by far the most prominent of the four Balladur government ministers to have declared for Chirac. As such he has got embroiled in rows with the prime minister over monetary policy, with Nicolas Sarkozy, the budget minister (who looks and behaves a bit like Sylvester Stallone's kid brother) over austerity cuts and embassy closures, and with Pasqua over the latter's apparent attempt to use allegations of US espionage to distract attention from a mishandled police phone-tapping affair.

All in all, it is remarkable that Juppé has had any spare time left for regular diplomacy or for France's EU presidency, which has just chalked up the considerable achievement of brokering an agreement to bring Turkey into a customs union with the EU.

Of course, France has some experience of cohabitation of a different kind – between the Socialist presidencies of Francois Mitterrand and the conservative governments of Chirac of 1986-88 and of Balladur since 1993. It is a weird system, under which President Mitterrand has to surround himself with his political enemies at Wednesday cabinet meetings.

The first cohabitation was far rougher. Mitterrand was bent on re-election and prepared to use some of his inside information on the Chirac government to devastating public effect against Chirac in the 1988 presidential campaign. But the second cohabitation is not without its curiosities.

The oddest is the presence in the cabinet of Bernard Debré, a practising surgeon as well as politician, who before he became overseas aid minister last autumn was the man who first operated on Mitterrand's prostate cancer. Given the possibility of Mitterrand's ill health causing an early election, it has, to say the least, been ironic that one of the men most conversant with the president's health has been a member of the government.

There are institutional cures for the sort of cohabitations from which France is suffering. If France's ruling conservatives had carried out their earlier pledge to hold primary elections to select a single standard bearer for the presidential election, they could have avoided the Balladur-Chirac contest continuing right to the May 7 wire. In the end, only Pasqua stuck by the plan for primaries. Perhaps next time he will be heeded more.

But increasing calls for the presidential term to be shortened from seven to five years – in the name of greater democratic accountability – could also avoid cohabitation between presidents and premiers of different parties. The reason is that five years is also the life of French legislatures.

Incoming presidents would probably use their power to dissolve the National Assembly to call immediate new elections. They would thus almost certainly gain their own parliamentary majorities and governments for the duration of their spell in the Elysée.

PEOPLE

The big bet goes on to team work

Peter George explains to **Scheherazade Daneshkhu** his development strategy for Ladbroke

One of the highlights of the British racing year, the three-day National Hunt jumps-racing festival, starts tomorrow at Cheltenham racecourse. It promises to be a bookmakers' paradise – bumper crowds, thrilling racing and lots of long-priced winners.

If betting is anybody's business, it is Peter George's. As chief executive of Ladbroke, the refocused hotels and betting company, he presides over Britain's largest off-track betting organisation.

Off-track betting is a far bigger business than betting at the racecourse. One fifth of all UK betting shops belong to Ladbroke – 1,900 – and the company says it has 25 per cent of the annual £6bn off-course betting market. It also has betting operations in Belgium, Ireland, the US and Argentina, but it closed its German operation last year.

Peter George, 51, got to the top of Ladbroke partly through sheer endurance. He is the son of a bookmaker and has worked for Ladbroke, mainly on the racing side, since the age of 19. He became vice-chairman in 1990 and, at the beginning of last year, finally stepped into the limelight once occupied by Cyril Stein, the man who floated the company with a market capitalisation of less than £1m in the mid-1960s.

While Stein ran the company in a way that left no doubt as to who was in charge, George favours discussion and collective decision-making between senior and middle managers.

Colleagues credit him with having introduced a more open management style at a company previously known for its secrecy.

Given the force of Stein's personality, one of George's first tasks was to strengthen the senior management team. He brought in Mike Smith, a director of Bowater, the printing and packaging group, to head the betting and gaming division, and Tommaso Zanzotto, international president of American Express Travel Related Services, to lead Ladbroke's Hilton International hotels subsidiary.

He is also credited with hiring John Coleman, formerly chief executive of the Dorothy Perkins clothes chain, as chief executive of Ladbroke's Texas Homecare do-it-yourself chain. The appointment predated Stein's resignation.

The core of the business is also being slimmed down; last year, 120 jobs out of a total of 280 were lost at head office and there may be more to come.


Tony Andrews

George: sheer endurance

Once in place, George initiated a series of strategic reviews regarding the direction of the company. One of the conclusions was that the company needed to focus on hotels and gambling, and to sell the Texas chain and Ladbroke's property portfolio.

In January, a £290m deal for Texas was finally struck with J Sainsbury, the retailer. "For me, the real achievement of 1994 was selling Texas," says George. "It's all very well to make strategic decisions but it's another thing to implement them."

The hotels side is a key target for restructuring. Property management of the Hilton hotels will be separated from their operational management to increase returns. "We are good at operating hotels but not good at managing the assets," says George. He hopes that buyers can be found for some of the hotel assets on condition that Hilton retains the management contract.

George is also looking to exploit the Hilton brand name. "We are an influential business and we have an opportunity with the brand name of Hilton. Then there are some things that we want to do which we have never done before, including franchising three-star Hilton hotels."

Given that Ladbroke does not have any three-star hotels to speak off, this will be a new Hilton brand which will be developed in certain countries.

Perhaps George's most interesting move was the decision last year to take Ladbroke back into the London casino market, 15 years after it had been forced out of the business for what a court called "disgraceful" behaviour.

"Gambling is growing everywhere and is being liberalised," says George. "If we were going to build an international gaming business, we had to be in casinos. Moreover, we needed to be doing it in our own country to demonstrate that we do not have any licensing problems." Ladbroke expects a decision from the Gaming Board on its application for certificates of consent later this year.

The one section of gambling which is proving a problem is football pools – the form of betting in which winning depends on predicting a certain number of match draws. Turnover at Ladbroke's subsidiary, Vernons, the No 2 UK pools company, has fallen by 15 per cent since the launch of Britain's national lottery last November.

George is braced for a terminal decline in pools business, although he thinks it is far too early to predict one. He is robust in his criticism of the government's launch of the lottery which he believes was done with the pools companies' arms tied behind their backs.

Although George has given Ladbroke a clearer sense of direction, hard work still lies ahead. The company has a lot of debt – £1.38bn net at the end of 1994, which will be reduced by proceeds of the Texas sale and by the gradual disposal of Ladbroke's property portfolio.

"I'm pleased with where we are. We know where we are going and we know our businesses. But it will take time for the returns to come through. This not a strategy for 1995 but for the next five years," says George.

NAMES IN THE NEWS

Mehdorn quits Dasa

Daimler-Benz Aerospace (Dasa), the aviation and aerospace division of Germany's biggest company, may have taken a step further away from military aircraft, writes Michael Lindemann in Bonn. Last week, Hartmut Mehdorn, the last of the 'plane makers', was edged out of his seat as head of Dasa's aircraft activities.

Mehdorn, 52, had hoped to slip into the vacancy left by Jürgen Schrempp, the Dasa boss who takes over as head of Daimler-Benz. However, he was beaten to the post by Manfred Bischoff, the finance director. Instead, Mehdorn now takes over as chief executive of Heidelberger Druck, manufacturers of the Rolls-Royces of printing machinery.

It will be a wrench for a man who has spent his career surrounded by the tang of kerosene, but it was clear that his face did not fit in the new hierarchy of Dasa board members who have grown up at Mercedes or AEG, Daimler-Benz's electrical and electronics subsidiary. Mehdorn is also blamed for having mismanaged the Dasa takeover of Fokker, the ailing Dutch plane maker which was bought in 1993. Restructuring recently resulted in 1,760 job losses.

But he did give a new strategic focus to Dasa's military aircraft activities, including the controversial Eurofighter project. Now that he is gone, Dasa may find it easier to spin off the military aircraft as a separate company, which could then be merged with foreign partners.

Meanwhile, Mehdorn will have his work cut out at Heidelberger given the growing evidence that, despite its rich tradition, its expensive machines are losing out to Japanese competition.

Dresdner capitalises on US knowhow

Dresdner Bank has again gone shopping among the US investment banks to bolster its capital markets expertise, with its latest acquisition poached from J P Morgan in Frankfurt, writes Katharine Campbell.

Lenny Fischer, 32, comes in at the beginning of April as one of three joint heads of treasury and trading, in a move that suggests the German banks, traditionally providers of unexciting remuneration packages, can pay competitively in special cases. He replaces Rolf Willi, who is 21 years his senior, and who is moving to co-ordinate Dresdner's Asia-Pacific operations out of Singapore.

Germany's second largest bank has been successful in bringing in a handful of high-profile executives, notably board member Hansgeorg Hofmann, who joined Dresdner in 1989 from Shearson Lehman, and Erich Pohl, previously with Morgan Stanley. However, all the German banks still lack the agility of their Anglo-Saxon competitors in international capital markets and, largely undeterred by the recent litany of disasters from Barings to Orange County, they remain intent on improving their position.

First person singular

The idea that two heads are better than one has finally been knocked on the head by Insead, the international business school based at France's Fontainebleau. After 12 years it has scrapped its famous "dual dean" structure, writes Tim Dickson.

In a move which ends months of uncertainty – and follows much soul searching among Insead teaching staff – a board meeting last Friday confirmed that Portugal's Antonio Borges is to assume sole responsibility for running the school when his current co-dean, Belgium's Ludo Van der Heyden, comes to the end of his term in September. Van der Heyden will return to full-time academic work at Insead.

Organisations with two chiefs at the top are increasingly rare. Accor, the French hotel group, is one example but the investment bank Goldman Sachs abandoned a long history of shared leadership just over two years ago. According to Borges, deputy governor of the Bank of Portugal until coming to Insead, the dual system is "very good for continuity".

Insead, however, is in the fast evolving and increasingly international management education business and has been fighting hard to retain its image as Europe's pre-eminent business school. As Borges puts it, "what will make you successful in the future may not be what is making you successful now. The trick is to make changes without losing things that have been so important in the past." The "single dean" issue has not been without controversy, though Insead is proud that the new policy has only been made following full consultation with the school's powerful teaching staff. The principle of ending the dual structure, as well as Borges' appointment, were overwhelmingly approved in faculty votes in recent weeks.

MUSIC

■ Pop singers need to have both a mountain of confidence and an immediately recognisable sound before they dare release an album of cover versions. Annie Lennox qualifies on both counts, and also brings one of the most influential voices of the last decade and a half to *Medusa* (RCA), an intriguing selection of other people's songs. The uneasiest mix of artist and material occurs in "Whiter Shade of Pale", complete with sickly harpsichord. Neil Young's wonderful "Don't Let It Bring You Down" is an equally unlikely subject for the Lennox treatment, but manages to work. All in all, a brave effort.

□ Karen Carpenter and ABBA are the acknowledged inspirations behind Jann Arden's second album, *Living Under June* (A&M), but the Canadian singer-songwriter's introspective ramblings have more in common with such 1970s bedsit heroes as Jackson Browne, who even joins Arden for a duet on "Unloved". Tastefully arranged and earnestly delivered, this is a decidedly above average example of a genre which is enjoying something of a comeback in the caring, sharing 1990s.

■ One would think, given the eternal popularity of Mozart's comic operas, that lesser known composers who produced similar (if inferior) works would begin to attract more attention. Take Francesco Cavalli's *La Calisto*, for example, a classic Venetian opera of frustrated lust, labyrinthine plotting and debates over eternal life, sparklingly performed by René Jacobs and Concerto Vocale on the Harmonia Mundi label. The recording is based on the highly successful stage production at the Théâtre Royal de la Monnaie in Brussels.

□ *Celtic Moods* (Virgin) is a fairly gratuitous compilation featuring the "atmospheric, haunting" music of Ireland and Scotland.

Peter Aspden

FILM/VIDEO

■ *I.Q.* Co-starring in this comedy of romance and relativity is Stephen Fry, who can surely be lured back to England for the premiere. Meg Ryan plays his fiancee; Matthau plays Einstein, helping out with a little love advice; and in the film's endearing compote of styles, times and nationalities the director is Australia's Fred Schepisi.

□ But *I.Q.* can be put on hold until you have seen *Priest*, a first feature by British director Antonia Bird. This comedy-drama about a pair of doubting Catholic ministers in Liverpool – one a crusty older man (Tom Wilkinson) living in sin with his housekeeper, the other a young closet homosexual (Linus Roache) – has already been a smash at European festivals. Bird and writer Jimmy McGovern prove that religion can still be an incendiary subject, and a funny one, and the cast is splendid.

■ On video, two collector's items and a modern masterpiece. Bunuel's surreally beautiful *Simon Of The Desert* will make an interesting double-bill for home viewers with John DeBello's surreally mad *Attack Of The Killer Tomatoes*: a one-time Golden Turkey champion. And to end there is a musical biography. Francois Girard's *32 Short Films About Glenn Gould* is a funny, form-breaking portrait of the eccentric Canadian pianist: probably the most inventive film of 1994.

Nigel Andrews


Lennox: one of the most influential voices of the last decade

FT GUIDE TO THE DEUTSCHE MARK

What is so special about the D-Mark?
The Deutsche Mark is a symbol of Germany's post-war recovery and prosperity. It was born on June 20 1948, a day of near-mythological significance for many Germans, a year before the establishment of the Federal Republic of Germany in May 1949. Under a currency reform masterminded by the US and British occupying powers, an initial sum of DM40 per head was paid to each member of the West German population to help replace the Reichsmark rendered near-worthless by Hitler's reckless financing of the second world war.

What do the Germans think about it?
Pride in the D-Mark has since become a form of German patriotism: a strong reason why the Germans are not enthusiastic about seeing it replaced by a single European currency. Commenting on the Germans' reluctance to embrace the Maastricht plan for economic and monetary union, Michel Sapin, a former French finance minister and a member of the Bank of France's monetary council, says: "Being married to the most beautiful woman in the world makes you especially faithful."

Who runs it?
Since 1957 the guardian of the D-Mark has been the Deutsche Bundesbank, the successor of the Bank deutscher Länder, the central bank of the western zones of occupied Germany that was set up under Allied control in May 1948. The D-Mark was made convertible only in 1958. Since then, the Bundesbank, benefiting from statutory independence from government, has seen its prestige and power grow steadily. Its 17-strong decision-making body is the Bundesbank council, led by president Hans Tietmeyer, made up of nine heads of Land (state) central banks and eight directorate members. The men (there has only ever been one woman on the council, and she retired in 1988) who steer the D-Mark assemble every second Thursday on the 13th floor of the central bank's Frankfurt headquarters. They are conscious that their decisions can have a wide international impact. "When we toss in a stone," observes Reimut Jochimsen, one of the council's heavyweight members, "back comes a great wave."

Why is the D-Mark so strong at the moment?
The D-Mark has benefited since the beginning of the year from a number of factors. Despite the strains of reunification (which has caused Germany's public sector debt to double since 1989 to around DM2,000bn), international financial markets now generally believe the main economic problems of rebuilding east Germany have been mastered. The Mexican peso crisis, President Clinton's Congressional setbacks, and political uncertainties in Italy, Spain, the UK and France have sent large amounts of international flight capital towards countries with proven track records of currency stability – Japan, Switzerland and Germany.

What has been the effect of financial innovation in Germany?
In Europe, Germany has probably attracted more "hot money" than in the past because the German market for fixed interest securities has become much more sophisticated and attractive for foreign investors in recent years – partly a consequence of very large post-unification borrowing by the Bonn finance ministry.

Will the D-Mark keep going up?
The D-Mark's level against the dollar and European currencies looks a little overvalued at present, but there is little to suggest any change in the long-term upward trend. Since the D-Mark's first post-war revaluation in 1961, its value has risen threefold against the dollar, three and a half times against the French franc, more than fivefold against sterling and eightfold against the lira, although it has depreciated against the yen and the Swiss franc, by 33 per cent and 20 per cent respectively.

Is the rise hurting German industry?
Although revaluations over the years have subjected Germany's export industry to a continuous cost squeeze, effects on competitiveness have been limited by a combination of low inflation and large-scale efforts by corporate Germany to rationalise production. Particularly because of intense global competition, the latest D-Mark rise, combined with last week's 4 per cent wage increase agreed in the engineering industry (criticised by many employers as too high), is likely to intensify the drive by manufacturing industry to reduce employment in Germany, often by shifting production abroad. 1m manufacturing jobs have been lost in the last five years, and a similar number could be shed up to the year 2000.

Will the D-Mark be subsumed into a European currency by 2000?
Many Germans feel that a basic objective of Maastricht was to allow other EU countries to break Germany's de facto dominance of European monetary affairs by emasculating and (later) scrapping the D-Mark. Tietmeyer said recently other countries were trying to "domesticate" the D-Mark. The earliest date for Emu – 1997 – is ruled out by German officials, even though Edouard Balladur, the French prime minister, insists it is a possibility. Whether or not the later Emu date, 1999, is reached for a smaller group of EU countries greatly depends on whether France presses on with the political and economic sacrifices needed to fulfil the Maastricht conditions for economic convergence. If the German electorate keeps up its present hostility to Emu, it will be very difficult for any future German government to implement monetary union, whatever the terms of Maastricht. There is thus a definite chance that the D-Mark will still be around at the end of the century.

David Marsh


Wolfgang von Brauchitsch

Tietmeyer: Bundesbank decisions can have a wide international impact

Geoffrey Owen and **Trevor Harrison** look at the managerial rationale behind ICI's demerger

Parting of the corporate ways

When Sir Denys Henderson, chairman of ICI, announced in 1992 that the company planned to split itself into two, some commentators saw the decision as driven primarily by stock market considerations. The intervention of Hanson in the previous year – it had bought a small equity stake in ICI and was thought to be considering a takeover – had brought home to ICI directors the pressing need to raise shareholder value and, in particular, to allow investors to benefit more directly from the profitability of ICI's pharmaceutical business. The demerger has achieved those objectives. But the rationale behind it was at least as much managerial as financial, and these managerial arguments have become clearer in the nearly two years which have elapsed since the successor companies have been operating alone.

The demerger was a response to a set of questions which every large, multi-divisional company needs to ask itself. What value does the head office add to our businesses? What are our distinctive advantages as a corporate parent, and are they still relevant to all our activities? If these questions had been asked in the early 1960s, the answers would have seemed obvious. Like the other research-intensive, multi-product companies which had dominated the world chemical industry since the 1930s, ICI was held together by technology, vertical integration and economies of scale. But as the industry matured, with more new entrants, slower growth of demand and fewer blockbuster innovations, the old corporate model became less appropriate. During the 1980s the profitability of ICI's individual businesses came under closer scrutiny; some of them were hived off or put into joint ventures with other companies. At the same time more responsibility was delegated to the product divisions, loosening their links with the head office. ICI began to acquire more of the character of a holding company.

ICI might have continued along this path or, if it had been taken over by Hanson, it might have been broken up into many pieces. But a two-way split offered an alternative solution, one which would preserve the advantages of an integrated company, but adapt it to the market conditions of the 1990s. It involved a reappraisal of the links between businesses and of the role of headquarters.

The first of these relationships received a great deal of attention at the time of the demerger. It was pointed out that ICI's businesses fell on either side of a "technological fault line"; the bioscience-related activities, including pharmaceuticals and agrochemicals, were on one side, the traditional chemical operations on the other. The scope for synergy and mutual support existed almost entirely within each of the two clusters, not across them. The businesses that became part of Zeneca, geared towards differentiated products of high added value, drew on the same manufacturing processes and shared similar managerial and technical competences. Most of new ICI's businesses, on the other hand, were high-volume and capital-intensive, with common needs in chemical engineering and project management.

Experience since the demerger confirms that opportunities for mutual support among the businesses are more easily exploited by two smaller, more focused companies. But it is in the other relationship – between the businesses and the head office – where the biggest gains have been made. In the old ICI, as in any other large, multi-divisional company, corporate headquarters allocated resources and set strategy for the group as a whole. It was the head office that forced the divisions to take continental Europe more seriously in the 1960s and led the push into the US in the 1970s and 1980s. The creation of new businesses often stemmed from initiatives taken at headquarters. But as the divisions acquired greater responsibility for their own profitability, the competence of headquarters to provide them with informed strategic direction was weakened.

The experience of ICI's pharmaceutical division in the 1980s illustrates the problem. Opportunities were almost certainly available for accelerating the growth of the business through acquisitions or joint ventures in Britain and elsewhere, but to pursue them would have required the concerted determination of corporate and divisional management. There were plenty of arguments for caution. The high price-to-earnings multiples that pharmaceutical companies enjoyed in the 1980s made acquisitions costly for ICI, and the divisional managers preferred organic growth. It would have needed a determined push from London to overcome their reluctance. Whether an alliance with, for example, Wellcome or Beecham would have been feasible or desirable is open to argument, but ICI's board, with the number and range of problems it confronted, could not devote the single-minded attention to pharmaceuticals that such a decision required. ICI was not capable of driving its world-class businesses hard enough.

The advantage of the new structure is that it aligns corporate objectives much more closely with those of the individual businesses. In Zeneca, for example, the heads of the three divisions – pharmaceuticals, agrochemicals and specialities (including dyes as well as most of the speciality businesses acquired in the 1980s) – participate in one another's budget meetings. They are more aware of and more responsive to corporate priorities than they were in the old organisation. The small team at Zeneca's centre – consisting of chief executive David Barnes and the three directors responsible for finance, research and development and human resources – deal with similar problems repeatedly; they are better informed about the businesses, setting challenging but achievable goals and controlling them more effectively. Similarly at ICI, chief executive Ronnie Hampel and the three other executive directors are interacting more continuously with the heads of the five main businesses. Under the old organisation, one of the main units within what is now called Industrial Chemicals used to have a full-scale strategy discussion with corporate headquarters once every two years. Its performance against the agreed strategy was reviewed at annual budget meetings and in quarterly financial reports. The process, involving much formality and paperwork, often failed to delve into the detail. Now the meetings are more frequent, the discussions more pointed and the decisions more rapid.

Zeneca's task is to manage high growth based on new products; the emphasis is on strengthening the company's worldwide sales organisation and on improving the productivity of research and development. The chemical businesses are cyclical, capital-intensive and less dependent on research; the objective is to achieve world market leadership in the areas where ICI has a technological advantage, reduce overheads and raise manufacturing efficiency. Demerger has separated two distinct sets of management priorities and assigned them to corporate parents which are better equipped to deal with them than the old ICI. The narrower focus and greater homogeneity of the problems that the new head offices handle shorten and sharpen the lines of communication between headquarters and the operating businesses.

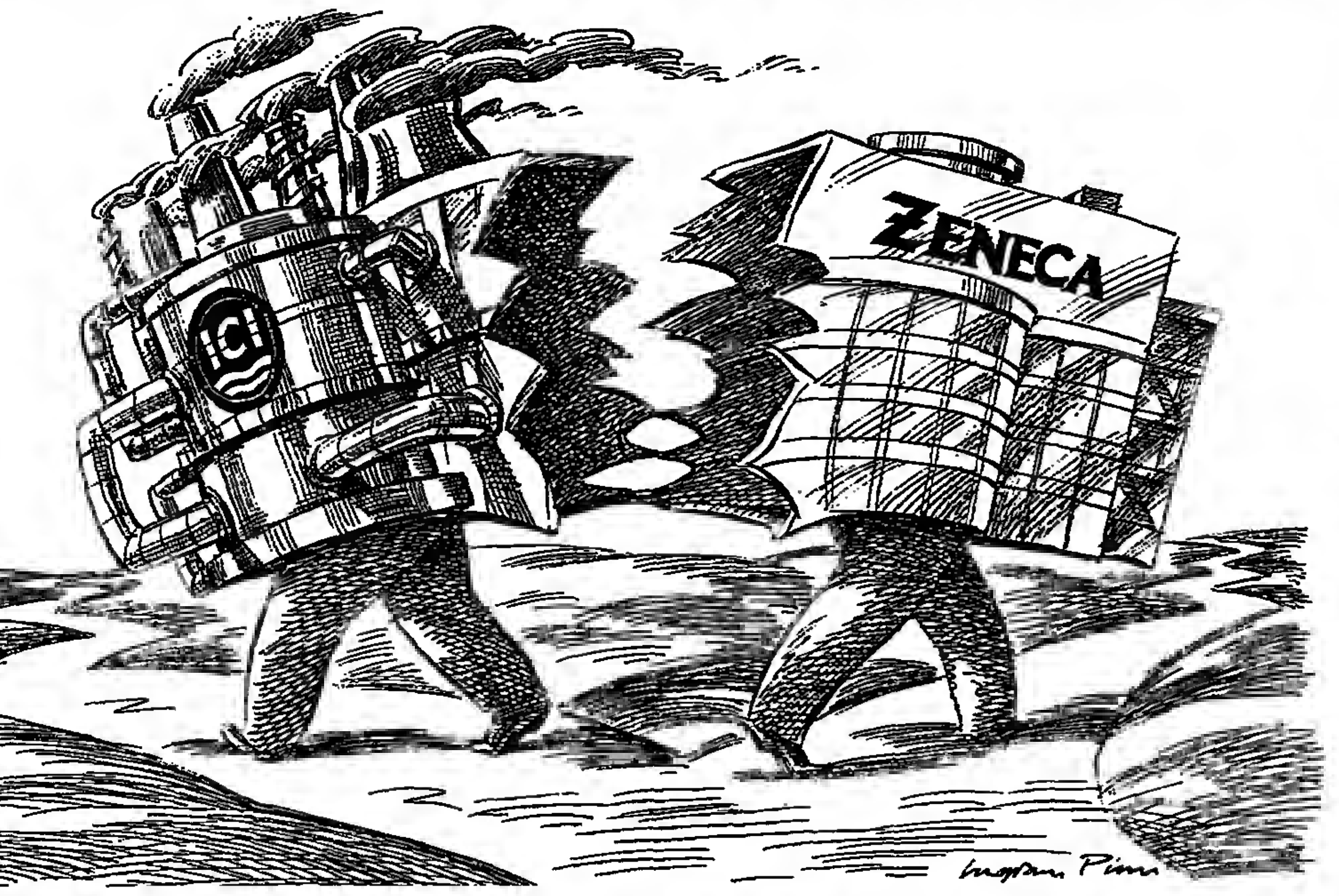
Inevitably the separation of two sets of businesses that had been united for more than 50 years has involved some transitional pain. In technology, for example, ICI no longer has direct and intimate access to the skills in organic chemistry embodied within Zeneca. In some instances, too, the pharmaceutical division misses the research carried out on the chemical side. But such links are at the margin of the two businesses and replacements for their loss can be found without great difficulty or cost. In any case the separation of the two companies does not preclude contractual relationships between them. In toxicology, for instance, ICI now buys services from Zeneca's central toxicological laboratory, which also supplies other outside customers. Some ICI managers had anxieties at the time of the demerger about breaking up the central services on which both groups had drawn. But the economies of scale in these support services were not large. The successor companies are big enough to afford the necessary capabilities in such areas as environmental protection, safety and health and to tailor them precisely to their needs.

There were potential disadvantages, too, in personnel. The two sides of ICI had drawn from a common pool of management talent and could offer a variety of career opportunities across the company. Now the two separate fields are narrower, but the fact that the successor companies will have to look more actively outside their own ranks is not necessarily bad. Next month a senior Unilever executive, Charles Miller Stuart, succeeds Hampel as chief executive of ICI: Hampel then takes over from Henderson as chairman. Miller Stuart's appointment, highly unusual for ICI, underlines the importance which the company now attaches to marketing.

By breaking with tradition in this and other ways the successor companies are seeking to release energies which were submerged in the previous structure. Many of the values that permeated the old ICI were admirable: its openness, its high ethical standards, its progressive personnel policies, its commitment to science and innovation. But there was also a sense of the company as a protective shield, guarding employees from the harsh world outside. Both companies are making strenuous efforts to sharpen personal accountability at all levels. ICI, for example, has introduced what it calls the Triple A project – accountability, achievement and autonomy – which is designed to infuse the agility of a small company into the business while making the best possible use of its size and resources. The improvement in productivity, particularly in Industrial Chemicals, which has a larger visibility than in the old ICI and ranks higher in the management's priorities, has come faster than expected.

Demerger is not the end of the story. Zeneca's role in the fast-changing world pharmaceutical industry – far more turbulent than was anticipated at the time of demerger – is uncertain, but as an independent company it has the flexibility and speed of manoeuvre (together with a higher stock market rating) which it lacked before the demerger. As for the new ICI, most of the structural problems at the commodity end of the business have been dealt with. But, with a product portfolio which is less coherent than that of Zeneca, it will have to demonstrate on a continuing basis that it is adding value to the businesses which it owns. The fact that the parenting role of old ICI has been examined and found wanting makes it more likely that this self-examination will take place. The organisational inertia of the past has gone.

Geoffrey Owen works at the Centre for Economic Performance, London School of Economics. Trevor Harrison, formerly general manager (planning) at ICI, is a management consultant with the LEK Partnership. A longer version of this article appears in the March-April issue of the Harvard Business Review.



A daily dose of pick and mix news

MICHAEL THOMPSON-NOEL

More strands of the information revolution are starting to materialise – hurled at us, like lightning, from the inky voids of the future. Naturally, other bits of the predicted information revolution are arriving at less than lightning speed, or not arriving at all, as the marketplace chooses what it wants and doesn't want.

But some things are taking shape. In the US newspaper business, for example, there are signs that the era of the Daily Me has dawned (see Media Futures page). I like the sound of the Daily Me, but can see some problems looming.

The idea is simple. Increasingly, newspapers will sell to readers the bits the readers want to read – data, stories, features, crosswords – and not the bits they don't. You admire a particular columnist, but can't abide his colleagues? You want all the sports you can get, but hate fashion and arts? Are keen to read about tax havens, but not about poverty, population growth, global warming and the extinction of species? With the Daily Me you will have exactly the newspaper you want, at a price you want to pay, dispatched electronically to one or more of your homes at an hour you have stipulated.

But hang about. For now, we will have to download the Daily Me on to our home PCs. Which rules me out. I can imagine few things more nerdish than receiving my newspaper in this way. I am so cool I do not own a home PC. Perhaps I never will. But whether I do or don't, I have no intention of sitting there, drippishly, downloading the Daily Me and then, even more nerdlike, reading the thing on screen. So I will wait 10 or 20 years until newspaper technology allows me to have a gadget in the corner of my room that produces the Daily Me on high-quality newsprint so I can read it enjoyably.

And I shall want advertisements. I like ads. But only ads of colour, written with wit and charm. I can probably handle 10 or 11 full-page ads of colour in my Daily Me, and will expect a reduction in the cover price.

Anyway, I shall want to receive bits of different newspapers. This is a challenge that newspaper companies will have to address. The Daily Me I'd want would mix and match elements from at least five newspapers, maybe six or seven, which means that newspaper owners are in for a more hair-raising ride than even they suspect.

And here's another problem. Some soothsayers reckon that the media future will be almost completely interactive. Advertisers will talk to customers, and customers to advertisers – trenchantly, in real time. Similarly, the relationship between newspapers and their readers will become increasingly interactive, or so the pundits say.

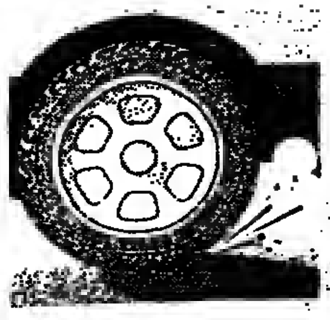
This sounds horrible. If pushed to a logical conclusion, such a development would mean that readers were not only able to order a Daily Me written by the writers they wanted it to be written by, but would start to meddle in writers' business. Readers would message writers in real time – while they were writing their stories – instructing them to use shorter words. Stop using hyphens. Eliminate jokes. Eradicate stylishness. Annihilate sentences starting with "and". And extirpate from their copy all warmth and human touches.

Are the busybodies at the UK Advertising Standards Authority over-reaching themselves? I know this is an age of prudishness and censoriousness, but the humourless folk at the ASA have done more than their bit for puritanism by upholding complaints against Club 18-30, a travel firm that caters to the younger – and racier – end of the market.

There were complaints "nationwide", says the ASA pompously, about a series of seven ads by Saatchi & Saatchi which appeared on posters and in the trade press. The ads featured the Club 18-30 logo, plus naughty headlines, including 'It's not all sex, sex, sex...There's a bit of sun and sea as well', and 'Girls. Can we interest you in a package holiday?', which was above a photograph of a man with a prominent bulge in his boxer shorts. The complainants objected that the posters were obscene, irresponsible and offensive.

Club 18-30, says the ASA, argued that its ads "reflected the essence of [its] holidays through a type of humour and colloquialism that only [its] broad-minded target audience would understand". However, the ASA noted that the campaign had caused widespread offence and reminded Club 18-30 "that posters reached those outside the target market. It considered that the advertisements, some offensive in their content, and some irresponsible in advocating sexual or alcohol excess, were unacceptable". The advertiser was asked to withdraw the campaign without delay and to obtain copy advice before advertising again.

I stand with Club 18-30 and Saatchi & Saatchi. Broad-minded people could not object to these cheerful ads. Narrow-minded people would not have understood them. We'll be burning cats and witches next.



FAST TRACK

Infogrames Entertainment

There is a stark contrast between the dull black and white print of the annual report of Infogrames Entertainment and the colourful products that it markets. But the figures it contains look impressive even so.

Based in Villeurbanne, a suburb of Lyon, with a staff of 160, Infogrames is making a mark through its role in the growing business of multimedia products, and the production of computer-based games and educational programs.

The company started in June 1983, when Bruno Bonnell and Christophe Sapet, two engineers and childhood friends, left their respective jobs at Thomson and Texas Instruments to exploit what they believed would prove an enormous potential: software for the expanding home computer market.

Both men, now in their mid-30s, have not allowed creativity to stand in the way of profitability.

In its results to end-June 1994, Infogrames reported net income of FFr13.8m (£1.7m), up from just FFr3.2m in the previous 12 months. This included considerable one-off charges, but operating profit rose from FFr11m to FFr19.1m on turnover up from FFr101.9m to FFr164.7m.

The founders started with FFr50,000 in capital. Now there are 34.5m shares in issue, with the five original backers controlling over half, but many freely available since Infogrames sought a quotation on France's second *marché*, for emerging companies, in December 1993. The share price has performed impressively since.

One of their secrets has been to stick to a core concept, while distributing it in ever more diverse ways as technology develops. "We thought there was a niche for interactive entertainment and education software for the family," says Bonnell.

Its first product was a computer cartridge motor racing game called "Autoroute highway". Within two years, in 1985, it was offering its first product on Minitel, France's widely used videotext system.

It controls Nintendo distribution in Europe, and has licensing agreements to produce interactive stories using characters such as Tintin and Asterix. In April, it launches with several partners a CD-Rom on Napoleon, covering the emperor's achievements. It is currently discussing products distributed in scrambled form by modem to computers, partly off and partly on-line.

Infogrames recognises the need to develop links with others to distribute its products to wider markets. Earlier this month it signed its latest such agreement: a long-term partnership with Axime, a large French facilities management company which controls more than 10 per cent of the traffic on Minitel, and will market its games to its customer base.

One challenge for the company will be its ability to fend off growing competition, notably from US software houses expanding into Europe.

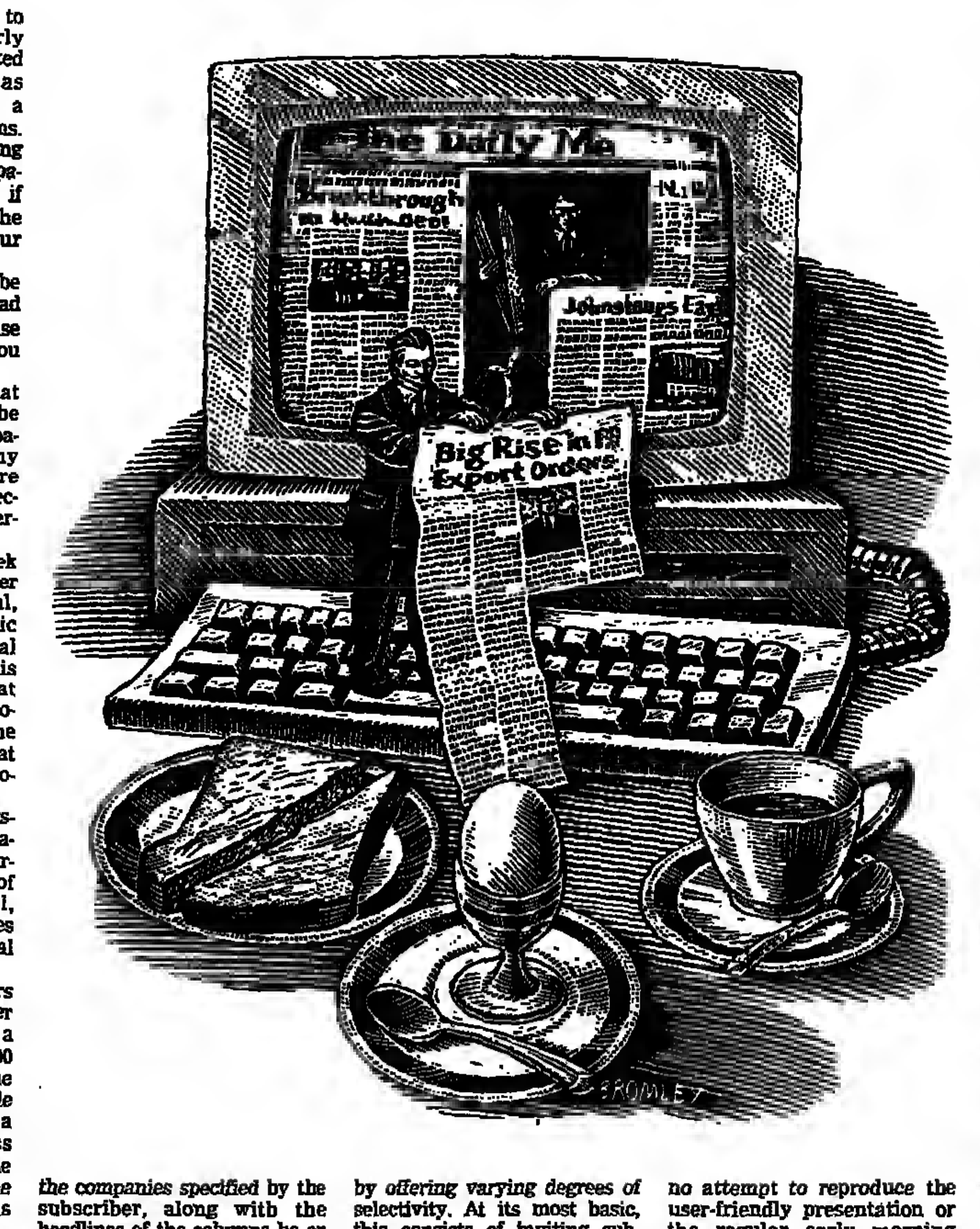
Yet Infogrames is confident about the future. Bonnell points to the corporate symbol: a multi-coloured armadillo. "We chose it because it was a dinosaur but it still continues to exist today," he says.

Andrew Jack

MEDIA FUTURES

Enter the bespoke newspaper

Customers will get a tailor-made information service, reports **Richard Tomkins** in New York



It has been a bad start to the day. That early breakfast meeting lasted twice as long as intended, and now a frantic morning's work looms. There is not a hope of finding time to read the daily newspapers: yet you need to know if anything is going on in the world that demands your urgent attention.

The simple solution would be a newspaper that could be read in a matter of minutes because it only carried the stories you needed to see.

It is bard to imagine that such a product could be devised with existing newspaper technology, but many newspaper publishers are looking at waya of using electronic media to produce a personalised paper.

An example came last week when Dow Jones, US publisher of the Wall Street Journal, launched a new electronic newspaper called Personal Journal. Significantly, this product is aimed neither at computer nerds nor big corporate customers, but at the mass market – at least that part of it comprising busy professionals.

Promoted as "the first newspaper published for a circulation of one", the Personal Journal is an electronic version of the Wall Street Journal, heavily edited so that it carries only the stories an individual needs to see.

To receive it, subscribers require a personal computer with Windows software and a modem with a speed of 9,600 bits per second or more. The service – at present available only in the US – costs $12.95 a month, a dollar or two less than a US subscription to the Wall Street Journal itself. The Personal Journal software is delivered at no extra charge.

Once snbscribers have installed the software in their PCs, they set up their personal news profiles by naming up to 10 companies they want to hear about or naming up to 10 regular Wall Street Journal columns they want to see (the technology column, for example, or Heard on the Street). They can also set up a personal portfolio naming 25 stocks or mutual funds they want to follow.

From then on, they receive a customised edition of Personal Journal each day, downloading it into their PCs by telephone. In about three minutes, the telephone automatically disconnects and tha Personal Journal's front page appears.

The top half of the page displays the two columns of news summaries from the front page of that morning's Wall Street Journal. The bottom half displays the headlines of all the stories from that morning's paper containing references to the companies specified by the subscriber, along with the headlines of the columns he or she named.

Subscribers can call up their personal news stories by clicking on the headlines with their PC mouse. Alternatively, they can turn to the personal portfolio page for a price update, or to other pages for market news, sports newa or the weather forecast. For an extra 50 cents a time, they can dial in again during the day for news updates provided by the Dow Jones News Service.

Personal Journal is hardly a technological marvel. These days, scores of US newspapers and magazines are availabla electronically through the Internet or through America Online, Prodigy and CompuServe, the main consumer online services. But scrolling through pages of an electronic newspaper looking for an article yon want to read can be a tedious and time-consuming task.

Some media organisations have tried to improve on this by offering varying degrees of selectivity. At its most basic, this consists of inviting subscribers to specify key words or names, then sending them electronic copies of all stories in which those words or names appear. If the database is wide, however, subscribers can find themselves swamped with irrelevant material.

At a more sophisticated level, services like Newshound, offered by the San Jose Mercury News, invite snbscribers to use strings of words to describe the sort of stories that might interest them. Newshound only selects stories that contain enough key words to pass a certain threshold, thus reducing the amount of redundant information.

Even so, Personal Journal seems to fall into a different category. Most other online services simply dump information into subscribers' electronic mailboxes as and when it becomes available, making no attempt to reproduce the user-friendly presentation or tbe regular early morning delivery of a daily newspaper. While more sophisticated online services exist, they tend to be designed for business and corporate customers, and charge accordingly.

In its present form, Personal Journal is littla more than a screening mechanism, belping readers find what they need from that day's newspaper. But Prof Eli Noam, director of the Columbia Institute for Tele-Information at New York's Columbia University, sees it as a first step towards the truly personalised electronic newspaper.

"The long run issue is that existing newspaper technology is essentially outmoded", Prof Noam says. "The notion of information being printed in a few locations and then transported, using energy and newsprint, and being tossed by children on bicycles into people's front porches, is basically an old fashioned way of doing things – not to mention the fact that the information is not fresh when it reaches you."

Some in tbe newspaper industry argue against this notion, pointing out that electronic newspapers are hard to read and that you cannot take them on to the bus or train. But Prof Noam says these problems have technological solutions. Companies are already working on flat-screen tablets that can be turned over like the pages of a magazine.

In the not too distant future, Prof Noam says, newspaper publishers will no longer be manufacturers and distributors of newspapers; they will be information providers, supplying customised news electronically. This could point the way towards a more global type of newspaper, he says, because in a world of customised newspapers, it will become mucb easier to tailor editorial content to suit the tastes of different regional markets, too.

Back in the present, the Personal Journal has yet to prove itself. One question to be answered is whether it will make money. On the plus side, it draws almost entirely off existing Dow Jones databases, so its editorial costs should be low. But the only advertising it carries is a display panel across the bottom of the personal portfolio, sports and weather pages. And it risks gaining subscribers at the expense of tbe newspaper itself.

William Adler of New York Times Business Services raises another issue: the serendipity factor. As he points out, one of the advantages of today's newspapers is that they sometimes provide you with information you might not have imagined would have mattered to you until you saw it. Too mnch customisation could take that away.

"It may be that the ideal combination of news in the future might have elements that are customisation and elements that are not," be says.

Maggie Landis of Dow Jones Business Information Services says nothing is set in stone. "I think what we have to do is let the product take off, let our customers use it a bit, and let them figure out wbat they wonld like to see in a future version of Personal Journal."

Speeding up the appliance of science

Martin Mulligan looks at the electronic exchange of research information

A humble Hewlett Packard 9000 is radically altering the way research scientists in high energy physics swap information.

The project, run by Paul H Ginsparg at the Los Alamos National Laboratory in New Mexico, marks a subtle but signal shift in the way scientists and engineers communicate.

Ginsparg's idea is simple. He has created a program which allows other scientists to transfer to his computer, via the Internet, draft copies of research papers, called preprints. Each day about 20,000 e-mail messages carry to more than 60 countries the abstracts of new academic papers, which readers can develop by gaining access to the full papers. And every day, about 45,000 physicists worldwide access Gtosparg's electronic archive to find or to contribute new items.

What Ginsparg is doing is circumventing the traditional process of academic scientific publishing by making possible mucb swifter transfer of criticism and ideas online, spurring participating scholars to new beights.

At a stroke, the process makes redundant the clumsy, painfully slow method of printed journal publishing, with its routine delays of a year or more before papers meander into print.

The revolution is not confined to the rapidly expanding computer-intensive disciplines of physics and statistics. Prof Wendy Hall, of Britain's Southampton University, says: "The keen enthusiasts and the highly computer-literate people are making the running, but this kind of publishing will become the accepted standard for the humanities as well. It is a near horizon."

As scientific disciplines rapidly beget sub-disciplines, new journals are required. Conventional print channels are unable to keep pace. It is estimated, for example, that a year's subscription to all publications referenced in the Medline bibliographical database of biomedical literature would yield a stack of hard copies higher than the Washington Monument.

The time lag between thought and publication troubles academic anthors. "In computing, it takes two years to get a paper published [in the traditional way] – by which time it is useless. In history, that doesn't matter so much," says Hall. But the point should not be stretcbed. Brynmawr Classical Review and PostModern Culture – two bumanities texts – were among the first refereed electronic journals, and remain among the field leaders.

Hall's colleague, Stevan Harnad, professor of psycbology and director of Southampton's Cognitive Sciences Centre, is evangelical about tbe new medium.

"The interactive tempo is the most important aspect. The speed of thought is best in phase with what we are doing now [on the Internet]." Traditional writing, on the other hand, is completely out of phase witb tbe speed of thought, he says. What is happening, Harnad maintains, is a post-Gutenberg revolntion, though he says all disciplines are "lagging behind physics – behind Ginsparg."

Founder and editor of the printed journal of open peer commentary Behavioural and Brain Science, and of the refereed electronic journal Psycoloquy, Harnad sees electronic publisbing as the long awaited liberation of scholars from what he has called tha Faustian bargain of traditional academic pnblishing.

Authors want to reacb as large an audience as possible, while publisbers want to restrict distribntion to those who will pay for information. Authors have to hand over their copyright in exchange for the exposure only pnblishers can provide. Electronic publisbing, Harnad argues, changes all that.

He envisages a free electronic archive for scholars, with publishers' profits coming from fully edited summaries. He estimates that up to 80 per cent savings over conventional publishing methods are possible "because there are no paper, printing, marketing or distribution costs for free journals that are solely electronic."

Harnad reckons that "from a truly electronic-only standpoint, only two categories of costs associated with paper publishing remain: peer review and editing."

Otbers are less sanguine about the cost saving possibilities offered by the Intarnet. They predict that, since editing skills will still be needed for electronic journals, savings may be small.

But everyone agrees that the editing and peer review processes are crucial if the electronic journal is to flourish. Hall emphasises tbe importance of editing. "[Mucb] will depend on bow good the editors are at filtering out the rubbish [wben papers are submitted]. Tbe same goes for tbe comments. The problem is the risk of information overload."

Academic tecbnopbobes claim that tbe Internet is an anarchic medium which militates against serious debate. After all, a system of so-called "incremental peer review" – in whicb qualified scholars tag comments and criticisms to the electronic text – can only work if it is restricted to meaningful additions made to meaningful texts.

And how will the electronic system pay for itself? Hall sees a likely way forward. "Instead of subscribing to paper journals, universities might buy a licence to access electronic journals. They would subscribe on a site-licence basis. Your university library would subscribe to the electronic journal, and would then print [traditional] hard copies for students on demand."

Whatever form payment and distribution take, the demise of traditional printed learned journals is likely to be gradual but inevitable.

Mortin Mulligan can be controcted ot 100135.3211@compuserve.com.

All for one and one for...

By Stephen McGookin

In a world in which media, technology and telecoms companies are forming strategic alliances so quickly that it is often difficult to keep track of who is in bed with whom, the pressure is greatest on smaller media organisations that wish to keep up with the pace of change.

Rapid expansion of markets for electronic media products has made every newspaper publisher examine its strategy, given the likelihood that its core business may not provide sufficient growth. The result is collaborations among companies that might otherwise be competitors.

An example is Pafet – Partners Allied for Exploring Technology – a joint venture between six regional US newspaper and media groups which are significant players in their own markets but recognise the advantage of pooled resources in large-scale new technology research.

The six are: A H Belo Corporation, based in Dallas; Central Newspapers of Indianapolis; Cowles Media Company of Minneapolis; two California based companies, Freedom Communications of Irvine and McClatchey Newspapers of Sacramento; and the Pulitzer Publishing Company of St Louis.

David Lipman, a former managing editor of Pulitzer's St Louis Post-Dispatch, is chairman of Pafet and describes the rationale for the venture in simple terms: "We needed more clout. We didn't want to be left on the outside when Gannett and Knight-Ridder were forming alliances."

Each company has at least one major metropolitan newspaper plus a range of other media interests, including magazines, television and radio across the US.

In terms of total revenues, the six companies combined would make Pafet the eighth largest media company in the US. According to Advertising Age magazine, the six had combined revenues in 1993 of $2.71bn – ahead of Times Mirror Co, News Corporation and Knight-Ridder. Pafet says the combined circulation of its papers is about 4m daily.

The collaboration started formally about a year ago – its budget is "proprietary, but significant", says Lipman – and aims to make Pafet a central research resource to help member companies make better individual decisions concerning the future.

One of the group's first objectives was to assess the vulnerability of the current newspaper market to emerging technologies. In 1970, three ont of four Americans read a daily newspaper. By 1985: 60 per cent. Martha Duckert of Cowles Media says: "Newspaper companies have to get out of the one-product mentality. We're all looking at ways of growing our business. We don't explore technology in a vacuum. Everything is related to the market in which it will be applied."

Having spent the first year working out bow the consortium will be structured, Pafet has commissioned a market study of 3,500 users of online computer services to glean information about what consumers expect from electronic services, and is exploring newspaper applications of CD-Rom technology. Beyond that, the group is – frustratingly – keeping its cards extremely close to its cbest for now on specifics.

While eacb of the six companies retains the right to pursue its own projects, what they are getting from Pafet is shared information and benefits of the group's muscle in the markatplace.

"We don't have to reinvent the wheel six times," says David Lipman. "Pafet is looked upon as an extension of our activities."

Freedom Newspapers, for example, has its own team exploring product ideas, while the McClatchey group has a similar task force formulating its own technology strategy.

"We've learned to share what would be regarded as proprietary information," says Howard Finberg, senior editor for information technology at Pboenix Newspapers, part of Central. "Our issue is not with each other but with the outside forces acting on the industry," be says. "It's better to cling together than drown separately."

Ticketless travel

Lufthansa is to begin testing ticketless travel with the launch of a card for use on flights between Frankfurt and Berlin, *writes Michael Skapinker.* The airline will issue the card to 1,000 frequent flyers, who can book flights by telephone or through travel agents. At the airport, passengers will insert the card into a terminal, which will issue a voucher with boarding time, gate and seat number. When boarding, a card reader will credit frequent flyer points.

Pollution in Athens

The Greek government will ban all private traffic in Athens' historic and commercial district next month, according to Mr *Costas Laliotis, the environment* minister. His ministry plans to block off a heavily congested triangular section about one square mile in extent. The plan comes into effect in April and will run on a trial basis for three months. It will be applied to other districts of Athens – infamous for its pollution and chaos – if effective. Many roads will become pedestrian walkways; others will see all cars restricted except residents' vehicles and public mini-buses.

Virgin is favourite

Virgin Atlantic was voted top British airline in a five-division table of airlines published in the UK *Consumers' Association's Holiday Which?* magazine last week. Virgin was the only UK carrier to make the top division, and was rated highly for in-flight entertainment and catering. British Airways and Irish carrier Aer Lingus were in the second division. BA's performance was reckoned to have improved since the CA's 1991 survey, but it lost marks for catering and value for money. There was greater satisfaction with BA's check-in efficiency, leg-room, seat comfort and cleanliness.

Singapore Airlines was rated best airline overall, and Balkan Bulgarian Airlines the worst. Air New Zealand, Cathay Pacific and Qantas were highly rated, but big-time US carriers United, Northwest and Continental featured in the lowest division.

● British Airways is resuming flights to Sri Lanka after a seven-year break. A twice-a-week service from Gatwick to Colombo starts on October 31. Flights were suspended in May 1988 because of unrest in Sri Lanka.

Breaking an old hold

Avia Airlines, an independent South African operator, is the latest carrier hoping to smash the British Airways/South African Airways hold on the London-Johannesburg route, *reports Michael Skapinker*. Plans by Virgin Atlantic to fly the route have been shelved because it says it cannot get the slots it needs. But Avia, founded by Gert de Klerk, a pilot and *entrepreneur, will start flying* from Gatwick to Johannesburg on May 9. He says his fares will be 15 per cent lower than the competition. There will be three *flights* a week.

More floods

Central California was bracing itself at the weekend for fresh floods as the state reeled from storms that have already killed at least seven people, inundated several towns and driven thousands from their homes. A series of powerful Pacific storms since last Wednesday has created havoc, hitting many areas only just recovering from serious floods in January. The storms caused mud slides and flooded freeways, leaving 50,000 people without power.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	16	13	11	12	11
Hong Kong	21	19	18	18	20
London	14	14	10	11	10
Frankfurt	14	10	8	8	8
New York	15	16	18	16	18
L. Angeles	20	22	23	22	24
Milan	14	14	14	15	16
Paris	17	15	10	10	10
Zurich	10	8	10	9	9

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Writer's alternative to pulp fiction

Michael Thompson-Noel eschews the thrillers for a book of entertaining tips

In Martin Amis's forthcoming novel, *The Information*, one of the characters, a writer, is taken from economy class to first class to join another – more successful – writer for a chat. As he is led towards the front, he looks to see what everyone is reading.

In economy, he notices, the laptop literature is "pluralistic, liberal and humane: *Daniel Deronda*, trigonometry, Lebanon, the first world war, Homer, Diderot, *Anno Karenina*". In business class they are reading "outright junk" – mainly thrillers – as an escape from the pressures of entrepreneurial life.

But in the "intellectual slum" of first class, nobody is reading anything, except for a lone passenger gazing sceptically at a *perfume catalogue*. Which leads Amis's character to wonder what on earth they read on Concorde.

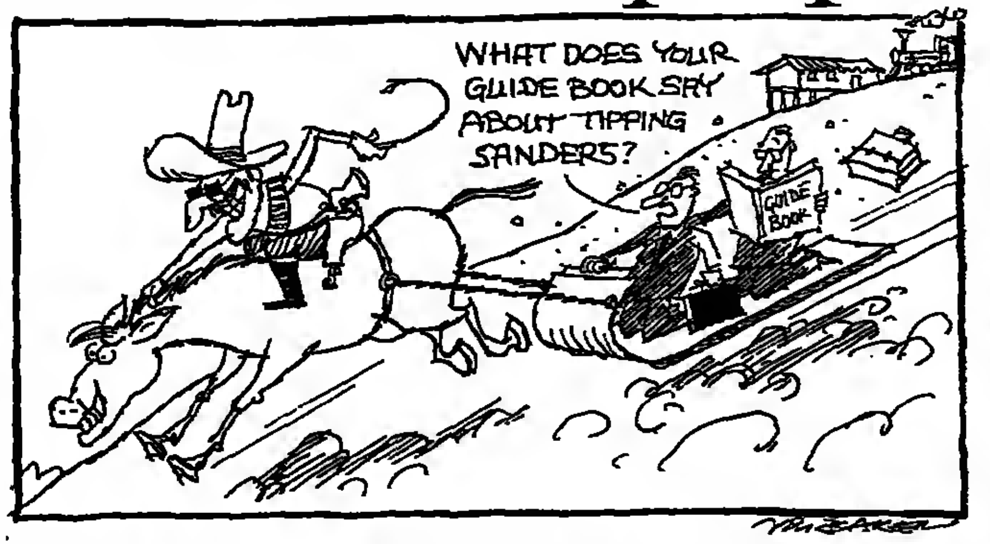
Amis is right about business class: junk reigns supreme. Strangely, you almost never see a business traveller reading a travel book or guidebook. It's as though people in business class think they know everything they need to know about the places they are visiting.

A good antidote to that sort of vanity is Peter Biddlecombe's recently published *Around The World – On Expenses*. Biddlecombe is a British businessman who has travelled the globe. His book is wryly entertaining, and will give travellers a quick feel for the cities into which they are flying. Here are some of his tips:

● Dublin: If you want to be taken seriously, drink Guinness. But let it stand and settle. Treat it reverently. Stick to Guinness, says Biddlecombe, and you will discover that Irish hangovers are nowhere near as bad as, say, Yugoslav, Russian or Finnish hangovers.

● Athens: Famously terrible. The Greeks believe that commerce and thievery are the same, says Biddlecombe, which makes Greek business methods highly creative. He says the only thing Athenians take really seriously is the Parthenon, so praise it fulsomely and say you hope it gets its marbles back.

● Milan: Nothing is what it seems or sounds. A local businessman once told Biddlecombe that his company was 63.7 per cent profitable. Biddlecombe gasped. "Sure, sure", said the businessman smoothly. "63 per cent of the business is on the point of being profitable and 7 per cent is profitable."



● Toronto: For many people, one of the nicest cities in north America: waspy, reserved, clean, polite. But also famously boring. If you are there at the weekend, get out of town.

● Buenos Aires: Hotels in a class of their own – the worst – so stick to the international chains. The smaller hotels, says Biddlecombe, have bar staff who hate alcohol, restaurant staff who hate serving food and general staff who just hate people. Nor should you expect taxi drivers to help you with your luggage.

● *Singapore:* A post-industrial urban miracle that is far more appealing than its critics allow, says Biddlecombe, who likes the restored *Raffles* hotel.

● Seoul: Do not forget your manners. Seniority and status count greatly. There is respect for the older man. As a result, you cannot cold-call a Korean company. Without a proper introduction even doormen will not talk to you. Wear a boring business suit and tie, and do not flick your business card across the table – present it formally.

Biddlecombe says the South Koreans are not such tough negotiators as the Chinese, nor as inscrutable as the Japanese, but they are still pretty tough and inscrutable. At least you don't have to struggle to remember names. "They're all called Mr Kim. It's fantastic. Well, something has to be fantastic in Seoul."

● Kuala Lumpur: British businesspeople should never mention Margaret Thatcher's name. Malaysians well remember that in 1983 the former prime minister insisted that foreign students at British universities had to pay their way, so fees were almost trebled at a stroke. "In Kuala Lumpur, nobody mentions her name in any context."

● Jakarta: Bodyguards can be useful. One may attach himself to you at the airport, or you can ask for one at hotel reception. There may not be a charge for his services.

● Bombay: To take your mind off Bombay's "impossible" problems, stay at the Taj Mahal hotel and try the Carnal Pleasures. This is the name given to the selection of dishes from north and south India served in its Tanjore restaurant on the ground floor. For drinks, visit the Apollo bar at the top of the new wing: a meeting place for Bombay glitterati.

● Kinshasa: Most taxi drivers are pleasant, if aggressive about money. But riding in taxis can be dangerous. Follow these rules: sit behind the driver; insist that he does not stop to pick up anyone else; insist he sticks to the route. And remember, says Biddlecombe, that Zaire is institutionalised anarchy. "There is no organisation, no administration, virtually no structure, no law and definitely no order."

● Onagadongon: Capital of Burkina Faso, one of the poorest countries in Africa. However, Biddlecombe says it has more than 50 quality restaurants, as well as the *Guide Gastronomique de Ouagadougou*. One evening he took a contact to L'Eau Vive, which serves superb food, including *phacochère* (warthog). "It somehow eases the conscience", claims Biddlecombe, "to eat superb French food and drink superb French wines in a desperately poor country if the restaurant is run by nuns. Well, that's my excuse."

Around The World – On Expenses. Peter Biddlecombe. Little, Brown and Company. £15.99.

An hour to spare: New York

Impressive tribute

Cardinal Giulio de' Medici, later Pope Clement VII, built the spectacular Laurentian library in Florence to house the famous Medici collection of manuscripts and books. Pierpont Morgan built a neo-Renaissance marble *palazzo* to house *his* on East 36th Street. His architects, McKim, Mead & White, may not rival Michelangelo, but they produced nonetheless one of New York's grandest monuments.

Part library, part museum, it distinctively combines the hallowed hush of learning with the plush of many dollars. Massive bronze doors lead to richly coloured marble floors, mosaic wall panels and doorcases flanked by columns. In this library, the wooden stacks are polished to mirror surface, and brass rails gleam.

Pierpont Morgan's study, an opulent mixture of velvet and walnut, books, paintings, sculpture and stained glass, is witness to a highly civilised Edwardian man of taste. His acquisitions – and those added by subsequent benefactors – make for an even more impressive tribute.

The Morgan boasts one of the greatest collections of medieval and Renaissance manuscripts in the world, and outstanding holdings of 15th century printed books. There are some 90,000 Old Master drawings, and regular exhibitions in which to show them. Autograph manuscripts embrace Dickens, Mark Twain and Einstein, and include Napoleon's love letters to Josephine and the finest musical manuscripts in the US.

Lydia van der Meer

Familiar New York landmark: the Statue of Liberty

As Kenneth Clark put it: "There are larger collections in the capitals of Europe, but in the Morgan one feels that every object is a treasure, and every item is perfect."

Susan Moore

Hidden riches of Albania

Colin Amery on the opening up of the country's archaeological treasures

Are you looking for a piece of Paradise? Are you seeking an untouched classical site that reveals many of the sources of western architectural inheritance? Do you want blue skies, dark waters, leaping dolphins and a landscape profoundly touched by the tides of history? Well, all this exists on the shores and in the hills of Albania – the land where Byron travelled in his search for Illyria.

As the signs of communist rule fade, this secret country is gradually assuming its place as a seat of culture and European civilisation, and being recognised again as a land of great natural beauty.

It is now possible to sail from Corfu and reach the tantalisingly empty shores of southern Albania to visit rich archaeological sites. But for how long will Albania retain that sense of a land to be rediscovered, a place free of mass tourism that is remote but European?

In London on March 23 there is an opportunity to focus briefly upon a key architectural and archaeological site in Albania, when Prof Richard Hodges, director of the British School at Rome and a leading archaeologist, will lecture at the National Gallery. His talk will cover the activities of the Anglo-Albania research project that is under way at Butrint – a main cultural site on the Albanian coast opposite Corfu.

One of the great secrets of the Adriatic: details of the mosaic floor of the baptistery at Butrint

Butrint is one of the great secrets of the Adriatic. While Enver Hoxha ruled Albania it was almost impossible to visit. But Alexander Meksi, the current prime minister, who is a Byzantine historian and archaeologist, has been active and helpful in allowing British and Italian archaeologists back to uncover some of the sites.

Indeed, next week sees the UK launch in London of a foundation dedicated to the excavation and protection of one of the best sites in Albania. The Butrint Foundation was established in 1994 by two British patrons of the arts, Lord Rothschild and Lord Sainsbury of Preston Candover.

Lord Rothschild works rather in the spirit of that neo-classical patron of earlier times, Sir William Hamilton. He has known, without being able to verify it until now, about the riches of Butrint and glimpsed them for years, without being allowed to land and explore during the days of the Hoxha regime.

The site at Butrint is a microcosm of Mediterranean history. Virgil associated its foundations with Aeneas, and Plutarch tells us the legend that Pan died there. The Greek city was founded with an acropolis on the hilltop above the beautiful lake of Butrint.

In Hellenistic times a small planned town was laid out on the level ground at the foot of the hill. This was occupied by the Romans in 168 BC and grew into a major Adriatic port, surviving Goth, Slav and Norman invasions. It enjoyed a peaceful Byzantine period, passing into Venetian hands after the fourth Crusade. The Turks let it slowly decline into a modest fishing village and the oaks and bay trees grew more densely over the site.

Today, Butrint is an incredibly romantic place, and what was excavated in the 1920s and 1930s by French and Italian archaeologists represents only about 10 per cent of what remains of five civilisations.

To pass through the glorious woods from the lake and realise that you are probably walking over some of the sites of 22 grand Roman villas is thrilling. The walls, steps and defences of the Greek town which are visible are architecturally simple and powerful. They have all the strength and scale of Piranesi and the stony power that came to be copied by architects such as Hawksmoor after the Renaissance.

Some of the great walls are 12 metres high with gateways made of magnificent monolithic blocks. The marvellous Greek theatre is of exceptional quality and has some of the rarest inscriptions of the 3rd century BC, describing decrees of liberation from slavery.

In the 4th century AD a remarkable baptistery was built and its mosaic floor survives, complete with a striking peacock symbolising the eucharist. By the 6th century an apsed basilica was built and the internal arched walls still survive. Statues from the excavations early this century have been placed in the Venetian tower which is now a modest museum.

The excitement of the establishment of the Butrint Foundation means that a five-year programme of work with the Albanian Institute of Archaeology is under way both to excavate and safeguard the sites and their setting.

One of the greatest concerns must be the future impact of tourism on this unspoilt region of Europe. A five-fold increase in the number of tourists is predicted in the next few years, and developers and hotel companies are looking longingly at the unspoilt coastline.

However, there is much more than archaeology and architecture at stake in this strange and beautiful region of Albania. The question of the protection of the whole environment has to be aired and discussed in a European context, for the potential is there to spoil or save a whole ancient world.

The public lecture on the Butrint project will be given by Prof Hodges at 6.30pm on March 23 in the Sainsbury wing of the National Gallery, London. Tickets are free and available in advance by sending a SAE to the Butrint Foundation, 14 St James's Place, London SW1A 1NP.

Hot ice maidens

Keith Wheatley reports on the world skating championships in Birmingham

Birmingham seems an unlikely venue for the World Figure Skating championships: safe, but insufficiently Hollywood.

During the Lillehammer Winter Olympics a year ago, CBS discovered that nothing pulls in viewers like feisty ladies on ice. Tonya Harding and Nancy Kerrigan gave the network the biggest audience in its history.

Harding's plot to smash her rival's knee with an iron bar (or have her very dodgy husband do it) entranced the world. The world was even more entranced when they enacted their conflict on skates.

Unfortunately for the box office at Birmingham's National Exhibition Centre, both women are now earning mega dollars on the professional ice-dance circuit, but the US sent Nicole Bobek as a perfect stand-in.

She launched herself on to the ice as an Elmore Leonard heroine in a white costume trimmed with gold. It plunged back and front. Her diamond earrings caught the spotlights, as did the spun gold hair. Bobek is 17 and skates like the angel she is not.

Russian folk music was her choice for the two-minute 40-second short programme, so the balalaikas plinky-plonked as she swept into a sequence that was brave, elegant and – in the end – just plain spine-tingling.

Bobek needed near maximum scores to overtake Russia's Olga Markova at the head of the leaderboard. As the 5.9s and 5.8s rolled into view, the Detroit teenager was in what skaters call the "kiss & cry" area, adopting the customary hands-over-tearful-eyes pose.

Shortly before the start of the championships the tabloid National Enquirer devoted its front page to portraying the US champion as a heavy-smoking, boy-mad party animal – and occasional burglar. In America the preferred term is "home invasion" but the fact remains that last November Ms Bobek (who lists her hobbies as decorating blue jeans, dancing and roller-blading) pleaded guilty to that charge.

She was found in the home of a fellow skater without permission, having used an electronic security code to gain access, and there was a dispute about a sum of cash that had allegedly gone missing. Fifty hours community service summed up the court's view of the incident.

Obviously it was 10 times less serious than Tonya Harding's role in the affair of Kerrigan's Knee, since the blue-collar heroine collected 500 hours scrubbing floors and cutting lawns. However, what spoke volumes about the slightly sleazy world of women's skating was that all the aforementioned came to light immediately after Bobek surprised a great many of her rivals by winning last month's US national championship in Rhode Island.

This leak was meant to hurt. In Birmingham, she had to skate in front of Britain's own tabloid newshounds. "The last two weeks have been very difficult for me and I have grown up a lot as a result," she read stoically from a press release prepared by her coach Richard Callaghan. "I've been growing a lot more. Listening a lot more," she ad-libbed. The boys in raincoats roared their approval.

Coaches and mothers are the big figures in ice skating. Both have enormous influence and seem ever-present. Lu Chen, the 18-year-old Chinese skater who overtook Bobek and went on to win the championship, had her fur-coated Mama on hand at all times. In contrast to Bobek's sassy costume, Lu Chen was in governess-blue from neck to wrist.

Mrs Chen's occasional glance at Bobek's outfit spoke volumes, eliminating the need for an interpreter. Her appeal is gamin elfin, and this, of course, is supposed to be a sports event, not Miss World on Ice.

Perhaps half the 7,000 seats in the arena were full. Despite this being the first time in 45 years that the world championships have come to Britain, it is plain that most people would rather watch the skating on television. But you do miss the nuances. If volume of applause was the deciding factor then Nicole Bobek would have won the world title by a mile, rather than finishing third.

But, besides the inscrutable judges, there is a third factor which comes into it, which one might term "thrown tributes". After each skater has finished, members of the audience who feel so moved hurl soft toys and flowers on to the rink. The latter can be a problem. "Ladies and gentlemen. If you wish to throw flowers on to the ice please ensure they are wrapped," said the commentator with total seriousness. "We don't want to have problems with the petals."

Lu Chen was overwhelmed with carnations and Snoopies. The poor girl looked like an airport gift shop as she sat weeping in the kiss & cry area, a television camera 6 inches from her nose.

Yet, in the end, her gold medal made it worthwhile. Bobek had two bad falls in the second stage and lost her overnight lead. The real Cinderalla role fell to Surya Bonaly of France. Last year Bonaly finished second at the worlds and caused more than a frisson on the podium when she ripped the silver medal from her neck in a fit of pique.

In Birmingham she was second once again, although there was no "toys from the pram stuff" on this occasion. Miss Bonaly appears to be what golfers call "a choker". The 21-year-old from Nice won her fifth successive European championship in Dortmund last month yet on every Olympic and world championship occasion in the past few years she has come second or worse.

Female ice skating only allows for two roles: waif-genius or sex on skates. Poor Surya doesn't fit either.

ARTS

OPENINGS

LOS ANGELES
As part of its 60th anniversary season, the BBC Philharmonic Orchestra is undertaking a coast-to-coast US tour, beginning on Sunday at Wiltern Theater. The tour features the world premiere of Peter Maxwell Davies' "Beltane Fire" in Boston on April 3, plus four other works by Maxwell Davies, [illegible] shares conducting duties with Yan Pascal Tortelier. The tour soloist is trumpeter Hakan Hardenberger, and repertory also includes Elgar, Britten, Ravel and [illegible]

HAMBURG
Between his time in Holland and Provence, Van Gogh spent two crucial years in Paris, creating a series of self-portraits which were aimed more at experimenting with form and colour than with self-examination. Around 20 of these make up an exhibition opening at the Kunsthalle on Friday. The show, with loans from Amsterdam's Van Gogh Museum, runs till the end of May.

LEIPZIG
The Leipzig Opera's first Festival of Contemporary Music Theatre opens on Friday with the world stage premiere of "Flames" by Erwin Schulhoff, a Czech Jew who was persecuted by the Nazis and died in 1942. The festival, which runs till April 1, also includes John Cage's "Europeras 3 & 4", Hans Werner Henze's "Elegy for Young Lovers" and Udo Zimmermann's "White Rose".

BERLIN
After the Berlin Wall came down, the authorities tried to rationalise the number of publicly-funded theatres, and one of the casualties was the Schlosspark Theater in the western half of the city. Thanks to an injection of private funds, it re-opens on Thursday with Shakespeare's "Richard III", a work not staged in West Berlin for several decades. Heribert Sasse directs and also takes the title role.

LONDON
Sharman Macdonald's new play "Winter Guest" opens tomorrow at the Almeida Theatre. Its premiere in Leeds this January was warmly acclaimed, as were its performances by Phyllida Law, Sheila Reid, Sandra Voe, and Sian Thomas. The play also marks Alan Rickman's debut as a director.

Salome moves in dark decay

Richard Fairman finds the Royal Opera's version chilling

Shortly after curtain-up a figure resembling Oscar Wilde, dressed in a frock coat, wanders on from stage left. He surveys the scene and then, after a couple of insignificant comments, shuffles off again, as though he just wanted to make a celebrity appearance for his centenary year.

The Royal Opera's new production of *Salome* originated at the Salzburg Festival in 1992. There, it was widely reported as being "controversial", though coming so soon after Karajan's long reign, renowned for its conservative stance on production styles, it could hardly have been anything else. The producer, Luc Bondy, wanted his audience to concentrate on the issues and stripped the stage of anything that might distract attention, leaving a gloomy setting in black and grey.

It is unlikely Wilde would have thought this very inspiring. For his *Salome* he wanted "masses of colour", a sky that was violet and Salome in poisonous green. The lurid visual style crystallised the world of decadence captured in his poetry and translated with no less luxuriance by Strauss in the music for his opera. Bondy's monochrome version is never decadent; it is about decay, which is something else.

He sets the opera in the ruin of a mansion, where Salome wanders through darkened rooms and John the Baptist is imprisoned like some middle-Eastern hostage in the basement – a scene of physical collapse intended to match the moral disintegration so chillingly described by Wilde and Strauss. It is not a production that one will look forward to seeing a second time (perhaps the Royal Opera is keeping its exotic previous *Salome* in store just in case) but so long as the original Salzburg cast is on hand, it does put the opera across with a lot of intensity. Catherine Malfitano gives everything in her portrayal of Salome, living the role with frightening immediacy. She is girlish, tiny, elfin-light, a ballet-dancer in her grace of movement even before she reaches for the seven veils. Unfortunately, she has to struggle to make herself heard and the words often do not get through. Against the volume of Strauss's orchestra, her voice lacks fleshy amplitude and she responds with singing that is highly-strung: intense perhaps, but wearing.

All this is frustrating, because she could probably sing a very different kind of Salome, virginal and mesmerisingly innocent, if only the orchestra would let bar. Christoph von Dohnányi puts a lot of effort into getting each instrument to penetrate Strauss's massive orchestral ensemble, but risks drowning his soprano in the process. His *Salome* is notable for an astonishing amount of detail and an intellectual grip that makes every note in this densely note-filled score sound essential.

He bas a remarkably strong all-round cast. Bryn Terfel rises from the basement like a tortured animal and roars with magnificent ferocity, a Jokanaan almost worth a visit by himself. Kenneth Riegel makes Herod a veritable Nero, his head spinning in a power-crazed whirl of insecurity and strange desires. (I love the way he jumps for joy when be is told of a Messiah who can turn water into wine.) The Jews are led by Peter Bronder's sturdy first tenor and the Nazarenes by Gwynne Howell, dressed as a new-age traveller.

All are vivid performers, but they risk being upstaged by Anja Silja's Herodias, an outrageously camp society bostess, teetering tipsily along on her high heels with a half-filled bottle in one hand and a devastating command of the stage in the other. For once, the final scene really seems stomach-churning and Silja's Herodias looks on riveted by what she sees. Even she, it seems, draws the line at necrophilia.

Caatherine Malfitano and Bryn Terfel — Alastair Muir

A great architect of Russian ballet steps down

Clement Crisp reports on Yury Grigorovich's resignation from the Bolshoi Ballet

Reports from Moscow on Thursday indicate that Yury Grigorovich, director of the Bolshoi Ballet, has resigned from his post after 30 years at the belm of Moscow's – and Russia'a – artistic flagship. The fact of his resignation was, I suppose, inevitable. Grigorovich, an autocrat in the old Soviet style, was not the man to cope with the new, liberalised world of the post-Gorbachev arts.

He had been under attack as director for the past decade, with certain artists protesting against his repertory choices and his promotion of younger dancers at the expense of the older stars. He survived several attempts by disaffected dancers to unseat him, with such luminaries as Maya Plisetskaya and Vladimir Vasiliev and his wife Ekaterina Maximova notably eager to see his powers curtailed.

A few months ago it was announced that Vasiliev would become the new director of the Bolshoi Ballet, a decision which Grigorovich sought to defy. His decision to take public issue with Vladimir Kokonin, director of the Bolshoi Theatre and ultimate authority over its opera and ballet troupes, over such matters as his successor and the institution of western-style contracts for all the theatre's artists and staff, was a last-ditch stand which he could not win.

The necessity for change in a great theatre threatened with physical decay – the Bolshoi, as a building, is in urgent need of massive and costly repair – and the added problems of adjusting to new and difficult financial conditions after Soviet years when funding was automatic, mean that new policies are inevitable and essential. And Grigorovich, at the age of 68, has plainly found it impossible to change.

He is, nevertheless, one of the great architects of Russian ballet, a choreographer whose work has given a thrilling image to Soviet dance. We have but to recall his *Spartacus* or his *Ivan the Terrible*, as well as his classic re-stagings, to understand his importance. But his monument is also the survival and expansion of the Bolshoi Ballet itself from 1964, when he assumed artistic control of the troupe.

During years of appalling artistic stagnation in the Soviet Union, Grigorovich maintained his creative energy, producing ballets which both pleased the authorities and illuminated the qualities of his massive company. ("Two hundred and fifty dancers; two hundred and fifty temperaments", be said to me. Small wonder he was seen as an autocrat – no other policy would work).

Grigorovich's Bolshoi travelled the world in triumph, but with the relaxing of internal disciplines and an end to the terrors of Soviet society, and the final collapse of the system, the arts world was eager for innovation.

Grigorovich was seen as a man fighting to keep the tide back. Of his significance there can be no doubt. But history has overtaken him, and his autocracy is seen as a thing of a bad Soviet past.

Whether his successor can hold the troupe together and rejuvenate it – tha ballet has latterly suffered much through the loss of dancers who were either disillusioned or neglected or simply eager for the acclaim and rewards of Western companies – we shall soon see.

I regret the manner of Grigorovich's departure, for be was a man brilliantly intelligent, knowledgeable, gifted, and he guided the Bolshoi away from inanition in the darkest years of Brezhnev's time.

He saved the ballet. Ironically, his successor now has the same task.

Purcell tercentenary concert/**Antony Bye**

Viols meet Elvis Costello

It was a bizarre collection of composers which gathered before a Purcell tercentenary concert at the Purcell Room last week to introduce the works they had specially written to honour the "matchless man".

Of the six present, two – the Russian, Elena Sirsova, and the Italian, Alessandro Solbiati – confessed to having had little contact with Purcell's music, another – the English eccentric, Benedict Mason – admitted only a lukewarm admiration for it, whila a fourth – the pop singer Elvis Costello – expressed a certain pride in having only recently taken to writing music down on paper.

We were clearly in for an interesting evening.

Even more bizarre perhaps was the medium they had been asked to write for, the viol consort Fretwork. Who would have thought that the bumble viol, at its beyday in the 16th and 17th centuries and silent until the early music revival gathered momentum earlier this century, would again be a force to be reckoned with in contemporary music?

After all, for many listeners, early music is an escapist haven from the "harsh realities" addressed by modern music. How can they be compatible? In fact, its very re-discovery makes the viol a newer sound than the symphony orchestra and string quartet.

At one end of the sonic spectrum was *Buzz* by Barry Gny, himself an early music performer, which, by treating the instrument as a source of colouristic effects, offered the most radical *sounding* experience in the programme. It may have been a throwback to tha 1960s avant garde, but each gesture was well heard and well placed.

The most radical piece in itself was Benedict Mason's *Room Purcell*, a feeble surrealist pantomime involving silent players perambulating in total darkness against the sustained breathing sound of uncertain provenance. More an insult than a tribute.

At least Sirsova and Solbiati, for all the earnest waywardness of their works, made some kind of effort to get to grips with Purcell's music, as did even Elvis Costello, who, however, made the dangerous mistake of assuming that the inspiration of the moment (not much) can compensate for lack of technical competence.

On a happier note, two works did make the exercise worthwhile, perhaps because their aims were more modest and their composers more assured technicians. The Dane Poul Ruders opened the concert with an attractive, celebratory tribute, *Second Set of Changes*, which subjected Purcellian melody to bell-ringing procedures. John Woolrich's was a no less impressive offering, a more austere and fragmentary work of glum but beautiful strangeness.

Inevitably, however, it was Purcell himself who won the day, as the selection of Fantasias which Fretwork interspersed between the commissions confirmed, not least the tiny six-part In Nomine with which they concluded. Only two minutes long, its economy of means and intensity of expression can still teach composers much – if they choose to learn.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Amsterdams Historische Tel: (020) 523 1822
● Hunger, Winter and Liberation in Amsterdam: exhibition that marks the changes in Amsterdam during the last months of WWII and the Liberation; to Sep 3
Jewish Historical Tel: (020) 626 9945
● Taking a Stand: exhibition shows the work of two artists, Ralph Prins and Felix Nussbaum to commemorate the 50th anniversary of the Liberation. Nussbaum was killed in Auschwitz and Prins was one of the survivors of the Theresienstadt camp; to May 7

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Magic Flute: by Mozart. Conducted by Lawrence Foster/ Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 13, 15
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 14, 16
● Ring um den Ring: by Wagner. Ballet based on "The Ring Cycle", choreographed by Maurice Béjart; 7pm; Mar 18
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 19

■ LONDON

CONCERTS
Barbican Tal: (0171) 638 8891
● London Symphony Orchestra: Daniele Gatti conducts Wagner, Hindemith and Tchaikovsky; 7.30pm; Mar 19
● The Magic of Mackerras: Sir Charles Mackerras conducts the Royal Philharmonic Orchestra and cellist Steven Isserlis to play Dvořák; 7.30pm; Mar 17
● The Magic of Mackerras: Sir Charles Mackerras conducts the Royal Philharmonic Orchestra and violinist Tasmin Little to play Dvořák, Janáček and Martinu; 7.30pm; Mar 17
Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with pianist Murray Perahia. Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 14
● The Bach Choir: with the City of London Sinfonia and conductor Sir David Willcocks plays Kodály, Szymanowski and Janáček; 7.30pm; Mar 18
Queen Elizabeth Hall Tel: (0171) 928 8800
● Deutsche Kammerphilharmonie: Mikhail Pletnev conducts Haydn and Mozart; 7.45pm; Mar 18, 19
● London Sinfonietta: Sir Simon Rattle conducts Poulenc'a "Les Mamelis da Tirésias" and Boulez's "Le Soleil des Eaux". Soloists include Lucy Shelton, Barbara Bonney and Phillip Langridge; 7.45pm; Mar 17

GALLERIES
Victoria and Albert Tel: (0171) 938 8500
● Warworks: women photography and the art of war. A perspective of war through the eyes of international women artists; to Mar 19

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. In house debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 15, 17
● Madama Butterfly: Puccini'a opera, originally directed by Graham Vick; 6.30pm; Mar 14, 18
● The Cunning Little Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 13, 18
Royal Opera House Tel: (0171) 340 4000
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 17
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 15, 18
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 14

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
● Los Angeles Philharmonic: with pianist Christian Zacharias. Lawrence Foster conducts Stravinsky, Mozart and Mendelssohn; 8pm; Mar 17, 18, 19 (2.30pm)

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Stuttgart Chamber Orchestra: Dennis Russell Davies conducts Diamond, Shostakovich/Barshai and Glass; 2pm; Mar 19
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: Valery Gergiev conducts Liadov, Berlioz and Tchaikovsky; 8pm; Mar 14
● New York Philharmonic: with soprano Gillian Webster. Sir Colin Davis conducts Mozart and Mahler; 8pm; Mar 18, 17 (2pm), 18
● The London Philharmonic: plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13
Carnegie Hall Tel: (212) 247 7800
● Kiri Te Kanawa: and pianist James Levine perform their only New York recital of the season; 3pm; Mar 19
● Yuri Bashmet: debut at this venue for the violinist recently named "Instrumentalist of the Year" at the 1994 International Classical Music Awards. He is joined by pianiat Mikhail Muntian to play Marais and Shostakovich; 8pm; Mar 14

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 15, 18
● La Bohéme: by Puccini. Produced by Franco Zeffirelli, conduted by John Fiore; 8pm; Mar 14, 18 (1.30pm)
● Le Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 13, 17
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco; 8pm; Mar 16

THEATRE
Roundabout Theatre Company Tel: (212) 869 8400
● The School for Husbands/ The Imaginary Cuckold: by Molière. Michael Langham directs Richard Wilbur's translation and stars Brian Bedford; 8pm; to Mar 17 (Not Mon)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● London Symphony Orchestra: with violinist Kyung-Wha Chung and under the direction of Pierre Boulez plays Ravel and Bartók; 8.30pm; Mar 13
● Samuel Ramey: bass and planist Warren Jones open the Sony Classical Series; 8.30pm; Mar 18
● The Royal Chapel Vocal College of Ghent: with soprano Sibylla Rubens and tenor Christoph Prégardien. Philipe Herreweghe conducts Bach; 8.30pm; Mar 19

GALLERIES
Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
● André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)

OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Magnificat: music by Bach, choreography by John Neumeier. Gunthar/Rainer Muhlbach directs this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 17, 18
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Mar 18

■ WASHINGTON

GALLERIES
National Gallery Tel: (202) 737 4215
● Italian Renaissanca Architecture: Brunelleschi, Sangallo, Michelangelo, the cathedrals of Florence, Pavia and St. Peter's; to Mar 19

OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 18 (7pm)

THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by Christopher Hampton; 7.30pm; to Mar 19 (Not Mon)

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Samuel Brittan

Dubious arguments against Emu

The case for European Monetary Union (Emu) may not be as strong, and is certainly not as obvious, as its proponents proclaim. But what is striking is how dubious are many of the arguments being offered against it.

There are two contrasting generalisations to bear in mind. The first is that there is no permanent gain to growth or employment from continuing or frequent currency depreciation. The second is tbat, once any rate of inflation becomes embedded in an economy, it is difficult to reduce it drastically without a severe recession. A fixed exchange rate or a monetary union can help knock something off an inflation rate which is low or moving downwards; and it can entrencb a low rate, once achieved. But that is all.

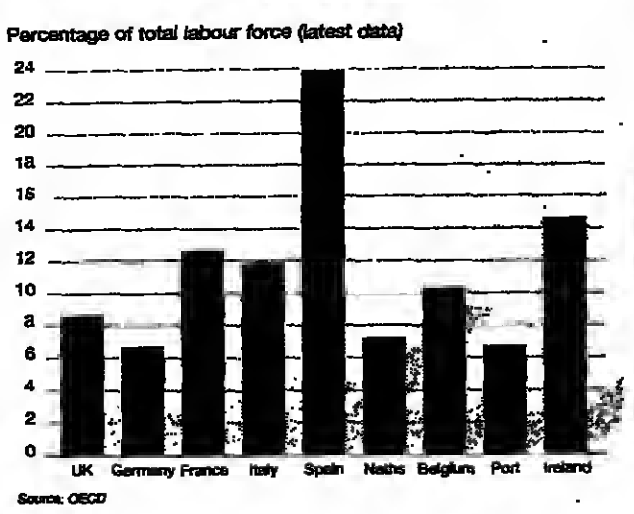
It is therefore asking for trouble if Mediterranean countries that still have a large part of the journey to travel try to enter a monetary union. But states such as Germany, France, the UK and the Benelux countries have little to lose and probably something to gain from locking their currencies together and eventually substituting a common one.

One argument refers to "differential sbocks". These are sbocks affecting economic activity in one part of the monetary union far more than others. What happens when there is a differential shock in an existing monetary union, such as the US? What happens to Texas if oil prices fall, or to west coast states dependent on arms wben peace breaks out?

The usual answer is that the US has a large federal budget which transfers resources from one state to anotber. Therefore, say the sceptics, we need a powerful European government or Emu cannot work. But they fail to realise that most fiscal transfers inside a federation have nothing to do with differential shocks. At their best they go from rich to poor states, year in year ont. At their worst they are the result of pork barrel politics.

EU standardised unemployment

Percentage of total labour force (latest data)



Source: OECD

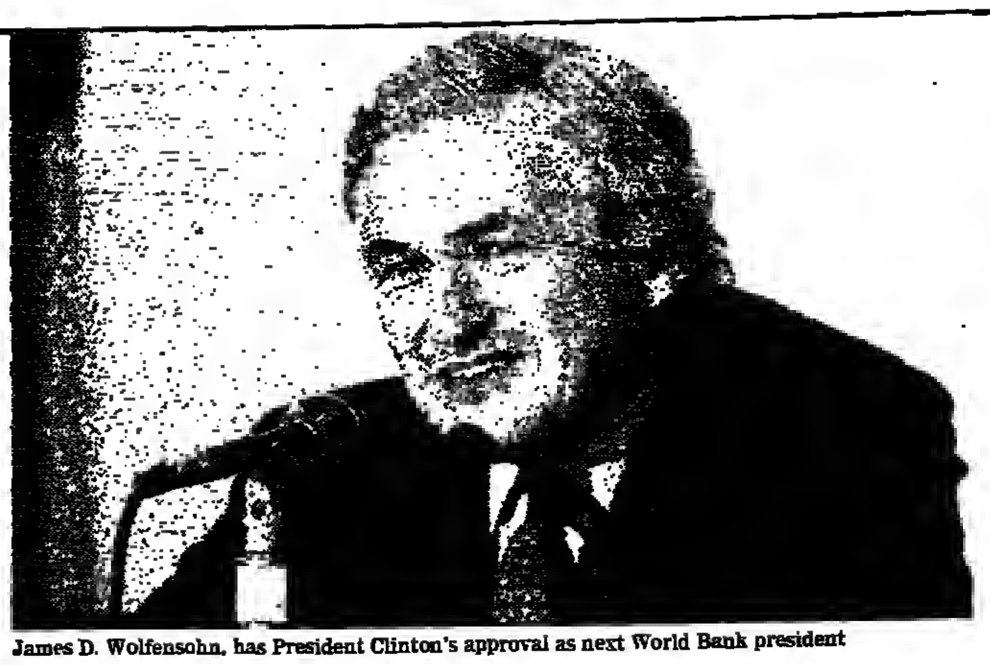
The only transfers relevant to a monetary union are the differential increases which, say, Texas might get if oil prices fell or if the west coast states suffered in a post re-armament phase. But these are the only ones relevant to the fact that Texas or Oregon cannot devalue. There have been suggestions for mutual insurance schemes whereby transfers are made between European states if recession hits some more than others. If properly drawn up and enforced, they can be quite modest and ought eventually to cancel out.

But the most ingenious Eurosceptic argument comes from the Luxembourg lecture given by Eddie George, governor of the Bank of England, on February 21. He tries to find a rationalisation for believing countries with dlfferent unemployment rates should hesitate to form a monetary union. The old argument, once widely supported on the left, was that the UK would not be able to tackle unemployment hy devaluation. Now that British labour markets are more flexible and UK unemployment is well below the EU average, the governor has stood the argument on its head.

The case on which the governor relies is an interesting textbook possibility. It is that a country such as France will amaze us all by embarking on basic labour market reforms to price workers into jobs. These could imply a fall in real wages, more easily achieved by a one-off devaluation than by trying to lower money wages. This, indeed, is the conservative interpretation of the core of Keynes'a General Theory.

If this Is valid, it is an argument for high unemployment countries to think again, rather than for the UK to stay out of Emu once the green light has been given. But I do not find it realistic. When governments such as Ronald Reagan's or Margaret Thatcher's have come to power with high-profile programmes for busting union and other restrictive labour practices, the effect has been for their currencies to rise sharply rather than fall. Indeed, this effect delayed the beneficial effect on jobs of their supply side policies.

If a monetary union can prevent the temporary but severe currency oversbooting resulting from such "favourable" confidence effects, this alone will justify it. But I have to admit the governor's detailed arguments read like the product of midnight oil expended to justify an instinctive suspicion of monetary union any time this century.



James D. Wolfensohn, has President Clinton's approval as next World Bank president

Renaissance man gets the nod

Jurek Martin and **George Graham** on the US's nominee to be next president of the World Bank

If a person may be judged hy the quality of the company he keeps, then James D. Wolfensohn, nominated by President Bill Clinton over the weekend to be the next president of the World Bank, can be said, without a trace of cynicism, to be the man with the golden Rolodex. But it may also be that the battered 50-year-old institution is finally going to enjoy life again under its first true Renaissance Man.

The great and the good have always rated highly the 61-year-old Australian-born investment banker, a US citizen since 1980. Robert McNamara, the Bank's most distingnisbed president, recommended him as a successor when he stepped down in 1981, hut the job went to a cautious hanker, Tom Clausen. Paul Volcker, the legendary chairman of the US Federal Reserve Board, went to work for him when he left public service. In 1990 the Washington cultural estahlishment was delighted to recruit him to the unpaid bnt demanding position of chairman of the board of the Kennedy Centre for the Performing Arts, a position he has beld while heading his investment bank.

Now it is apparent that another pillar of puhlic life – Vice-President Al Gore – played a pivotal role in his selection, from a competitive field, to take over at the Bank from Lewis Preston, forced to retire because of illness. Mr Gore's approval matters because it serves as a shield to criticism from environmental and development lobbies that Mr Wolfensohn's record in both areas is scant. Support of his candidacy from Maurice Strong, the hard-nosed Canadian businessman/environmentalist who served with distinction as UN co-ordinator for African relief during the 1980s Ethiopian famine, may also set some doubting minds at rest.

But it was Mr Gore last week who really delivered the goods at two critical meetings. On Monday the administration's search committee met to discuss the Bank presidency. Its membership included Sandy Berger, deputy national security adviser, Frank Newman, number two at the treasury, Joan Spero, under-secretary for international economic affairs at the state department, Jan Piercy, US executive director at the Bank and an old college roommate of Mrs Hillary Clinton, Erskine Bowles, deputy staff director at the White House – and Jack Quinn, Mr Gore's chief of staff.

They discussed all tha candidates – principally Mr Wolfensohn and Larry Summers from the US treasury, once the Bank's chief economist, hut also Ken Brody, head of the Eximbank, Stan Fischer, now a deputy manging director at the IMF, and Gerry Corrigan, former head of the New York Fed and understood to be Mr Preston's personal favourite since they were colleagues at JP Morgan. No decision was made, beyond that the process should be settled within a week, although some participants urged a longer, more "inclusive" search.

But the impulse to a quick decision was further driven by mid-week when it hecame apparent inside the White House that there were serious problems with another major nomination – of retired Air Force general Michael Carns to run the CIA. ft appeared he had violated both immigration and taxation laws in his relationship with a young Filipino, who had been talking to the Republican-controlled Senate intelligence committee. With a long record of botcbed appointments the administration was keen to have the World Bank resolved with despatch.

Mr Wolfensohn flew back from Europe to meet Mr Gore in the White House on Thursday and the vice-president took him in to see Mr Clinton for a conversation that lasted a good 90 minutes. Exactly what was said hy each man is not known, but it must be assumed that Mr Wolfensohn made his case with his customary force before sprinting back to the airport to return to Europe. Late on Friday the White House announced almost simultaneously that Gen Carns was withdrawing and that Mr Wolfensohn's name was going forward for approval by the World Bank board.

In the course of the five week campaign to succeed Mr Preston, Mr Wolfensohn's supporters have always made perfectly clear their conviction that he can bring intellectual rigour, focus and advocacy to the Bank, all necessary to bring it back into the political mainstream both in Washington and around the world. He would be determined to change its culture and make it less inward-looking and bureaucratic; he professes agnosticism on how deeply the Bank's staff needs cutting, but further downsizing beyond Mr Preston's reductions is surely inevitable; he would be an outspoken defender of the institution, unwilling to take lying down the criticisms of environmental and development lobbies any more than he has the onslaughts of cultural philistines during his management of the Kennedy Centre.

He would, as Mr Strong put it yesterday in commenting on a vital ingredient to the Bank's future at a time of reduced government support, "have the ability to command the respect of the financial markets". The Bank's share of net transfers of capital to the developing world last year shrank to a mere 3 per cent. Tapping private capital markets is considered essential to preserving its role and influence in the 21st century – and this would be advanced by an infusion of the private sector mentality into the Bank's culture.

Financial credentials, Mr Strong noted, might be a minus with environmentalists "bound to be negative on any banker, but they don't know Jim Wolfensohn". Mr Strong recalled his involvement with environmental and development causes, including serving as an adviser to tbe late Dame Barbara Ward at the Stockholm UN conference in 1972 and to himself in Rio in 1993.

Mr Wolfensohn's management skills cannot be doubted. He has a law degree from Sydney and an MBA from Harvard. He ran Salomon's investment banking department in New York and was Schroder's managing director in London. Both tenures were successful enough for him to set up his own investment bank, James D Wolfensohn Inc, in New York in 1981. Its investment clients cover the globe. It is a partner in the Russian-American investment bank and operates joint ventures in London with Lord Rothschild and in Tokyo with Fuji Bank.

His departure from the Kennedy Centre has saddened Washington's cultural elite. Lawrence Wilker, its president, said: "He stepped into an institution that was bankrupt financially, in a terrible state of deterioration physically and on the decline in fundraising. And he helped turn all that around."

Justifying Mr Strong's appellation of Renaissance Man, Mr Wolfensohn is an accomplished cellist, with a daughter who is a concert pianist, fenced for Australia in the 1956 Olympics, and serves on the boards of a catholic selection of corporate, cultural and academic institutions. He is rich, charming and blunt, not above cheerful recourse to four letter words.

Nohody disputes that the Bank needs the sort of leadership last, and controversially, wielded by Mr McNamara. Mr Willi Wapenhans' internal report in 1992 observed: "A distinction between corporate direction and operational management is presently – and has been for some time – missing. Instead operational management filled tbe void and defined strategic direction."

Mr Wolfensohn, an avowed devotee of the Wapenhans conclusions, can be expected to try and wrest strategy back from the powerful departmental clans, as his three predecessors were unable to do (though Mr Preston's attempt was cut short by his illness). Having made the case persuasively to his network of friends in other high places, he must now convince a bank staff long suspicious of outsiders and defensive after so much public criticism that he has the vision to launch the necessary revolution.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Charts show inflation rule works

From Dr. Peter Westaway.

Sir, David Currie and James Nixon (Letters, March 2) are sceptical of the likely performance of simple inflation feedback rules for interest rates as proposed in the February NIESR Review and championed by Samuel Brittan ("Case for simple inflation rules (February 27).

Unfortunately, they seem to have misinterpreted the charts showing the effects of the suggested simple rule whicb requires that interest rates should indeed rise initially in order to curb inflation. Eventually, when inflation has successfully been lowered relative to the original forecast, interest rates themselves are lower. This sbould be a basic property of any economy.

As to advocating caution in implementing rules which are too simple or which rely on the quirks of a particular model, I would completely endorse those sentiments. Our research suggests that simple rules perform well under a wide range of assumptions, although not if it Is assumed that financial markets maka no attempt to anticipate foture movements in interest rates.

The crux of the problem for policy makers is to find robust policy rules which work tolerably well in a highly uncertain world. The issue can only be addressed adequately by analysing the performance of different rules on different empirically based models of the economy.

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New election system needed to break impasse over WTO chief

From Mr Ernesto Tironi.

Sir, The tortuous process of choosing a director general for the World Trade Organisation should be seen as an opportunity to think of a better system for making such a selection. The present deadlock is a systemic problem that repeats itself too often. It leads to a big waste of energy, time, resources and prestige of international organisations.

The main problem with the present selection system at WTO is tbe requirement to reach a consensus. On the other hand, a purely democratic scheme of majority vote is also unacceptable. The trade system could not run smoothly if countries that account for 15 per cent of world trade are given the same influence as those accounting for one twentieth of 1 per cent.

To deal with the problem, my personal sng
gestioo is a two-stage process. First, to reach consensus among leading members on acceptable candidates (at least two); and second, probably a month later, a declsion should be made, through secret ballot, by at least two-thirds of all members present in a special council session, which of the acceptable candidates is to be chosen. If no candidate gets enough votes in the first round, there should be furtber votes until a candidate achieves the required threshold.

Under this system, the person finally selected will by definitioo be an acceptable candidate. Also, the consensus rule would cease to be used by some countries as a veto on other candidates in order to impose the final selection of its own cboice. The two-thirds majority rule could prevent any of the three main regions of the world winning by itself alone. Alliances would be required. Finally, selection should be by successive votes on a given day to concentrate the attention of all interested parties in finalising a choice: If no candidate gets a two-thirds majority in the initial vote, the whole selection process sbould start again on a fixed future date.

I am aware it may be too late to use such a system to solve the present impasse. But some elements of it might be used in order to start building up a more rational mechanism. The absence of a specific day, place and procedure is a shortcoming of the present system. The process therefore drags on from one month to the next without transparency and with great uncertainty. One of the main achievements of the Uruguay Round was the establishment of a more rules-based trading system. Should we not aim to extend tbe rules to the organisation that has been set up to make us all play by them?

Ernesto Tironi,
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Too favourable a view of Georgia

From Mark Almond.

Sir, Bruce Clark's "Lifeline to Georgia" (February 20) and Mr Sbadman Valavi of the International Monetary Fund (Letters, March 8) offer a far too favourable picture of Georgia's prospects of making the transition to an effective market economy in a state ruled by law.

Tbe simultaneous publication of a report by the Britisb Helsinki Human Rights Group on the torture of opponents of Eduard Shevardnadze's regime and the abuse of due process highlights the brutal realities. It contains official admissions of routine torture. Two victims of pre-trial torture, lrakli Dokvadze and Petre Gelbakhiani, were sentenced to death without the right of appeal on March 6.

The Financial Times may not pride itself on its concern for buman rights but potential investors reading your pages surely should know that every kind of right, including property and contract rights, are utterly insecure under tbe present regime in Georgia.

Certain companies witb a history of asset-stripping may find profits in Georgia, particularly if they grease the palms of the powerful.

However, the reluctance of some Chinese companies with powerful patrons to repay Western creditors is a warning of what might happen to anyone gulled by the siren voices talking up Georgia's prospects under the present brutal regime.

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Power industry turmoil a storm in a flotation tea cup

From Mr Peter Curwen.

Sir, I did not apply for shares in tbe recent flotation of National Power/PowerGen. Given the price at which they were to be sold, tha experience of recent secondary issues such as BT3 and the strong criticism of the regulator's most recent ruling on electricity prices, this was surely a classic case of caveat emptor so far as the small investor was concerned.

I was accordingly most surprised to learn that roughly 1m individuals had applied. Evidently, applying for privatisation issues has become little more than knee-jerk behaviour for many individuals, and, if so, they deserve little sympathy if things turn out badly.

As it happens, the talk of initial "profits" was misleading. By my reckoning, at end of first day prices, and net of selling commission, a stag would have made precisely nothing unless he/she had invested a substantial amount.

The regulator has now ensured that tha shares will have to be held for some time before a "profit" can be expected. This is no bad thing and the price will undoubtedly rise in the course of time. From the perspective of the small investor in this flotation, the current turmoil in the electricity market rather smacks of a storm in a tea cup.

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FINANCIAL TIMES

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Monday March 13 1995

A snub from Mr Clinton

There can be no disguising the snub to Britain delivered by the Clinton administration in inviting Mr Gerry Adams to the White House and allowing him to raise funds in the US. The British government had pulled out all the stops in its effort to convince Washington that these staps would be damaging, not helpful, to the Northern Ireland peace process.

Moreover it is clear that the British point of view was supported by the State Department, and by anti-terrorism experts within the administration.

All this was brushed aside. Mr Clinton listened instead to the Irish lobby in his party and to a few enthusiasts in the White House, of whom the one most engaged with this issue, Nancy Soderberg, formerly served on Senator Edward Kennedy's staff.

Why? Obviously there are alectoral considerations. The size of the "Irish vote", or the extent to which it is swayed by support for militant Irish nationalism, is no doubt much exaggerated, but Mr Clinton may well need the support of men like Senators Kennedy and Moynihan to be sure of his party's nomination next year. Yet this is not a sufficient explanation for his willingness to snub an important US ally on an issue of marginal interest to most Americans.

No doubt Ms Soderberg and her colleagues have been able to convince the president that his concessions to Mr Adams will help the cause of peace. For that, the British government has itself partly to blame. It cried wolf too soon a year ago by arguing strenuously against letting Mr Adams into the US at all.

In the event, that first visit did help to nail him to a non-violent strategy and so to bring about the ceasefire of August 31. More recently, the British government has whittled down its original demand that the IRA hand in its weapons before being admitted to substantive talks, to a point where the US government could present Mr Adam's willingness to include "decommissioning" in such talks as coming close to Britain's own conditions.

Behind those practical errors, however, lies a more troubling point. Mr Clinton may not be a statesman but he is a politician. He would not gratuitously alienate Britain if that involved a clear political cost. Unhappily it does not.

In American eyes Britain has become only a marginal player in European politics, except on the issue of Bosnia where it has found itself thrust into the limelight as chief exponent of a policy regarded by many Americans as one of craven and cynical appeasement. Of all the charges Mr Clinton will have to answer over the next 18 months, that of ignoring British views will be one that does him the least political damage.

Time will tell

Tha Clinton administration has, in its wisdom, decided to nominate James D. Wolfensohn, an investment banker, to the prestigious and powerful position of president of the World Bank. Provided this nomination does not run into overwhelming objection from other shareholders, Mr Wolfensohn will shortly assume responsibility for an institution of great global importance that desperately needs inspired and inspiring leadership.

As the Financial Timas remarked two weeks ago: "The bank is far more than a financial institution; it has a public purpose. The right person to articulate that purpose is unlikely to be a manager, however gifted, or a manipulator of financial markets, however creative. To be well-managed is a pre-condition for the bank's success, not its essence. The bank's aim is development. Its president must define what that means and, no less, explain why it matters."

The three presidents since Mr Robert McNamara's retirement in 1981 – Mr A W (Tom) Clausen, Mr Barber Conable and Mr Lewis Preston – have failed to achieve this. Will Mr Wolfensohn do better? Tima will tell.

The bank needs a president who can set his imprint on a large institution whose activities cannot be changed overnight, or even within just a few years. Can a man already aged 61 hope to achieve this in the five years that must presumably be his allotted time? Time again will tell.

The bank does need to be streamlined and made more open. But the bank's staff are defensive of their positions, for the good reason that a lifetime's service cuts them off from opportunities in their home countries. The bank is careful about attacking its clients publicly, for the good reason that it has to work with them.

The bank does not yield to all the criticisms of non-governmental organisations, for the good reason that many are ill-informed or malicious. The bank does not accept everything Congress wants, for the good reason that it does not belong to the US. Is Mr Wolfensohn the man to defend the bank, its staff, its clients and its purposes? Time again will tell.

The bank needs to be changed. It does not need to be destroyed. But many of those who say they want the bank to change, desire its destruction. Mr Wolfensohn has apparently promised to enact further cuts in personnel, beyond those announced by Mr Preston. Yet nothing could be easier than to cut the staff, without considering, let alone developing, a coherent vision of the institution whose fate he will hold in his hands.

The World Bank has had successes: it has, for example, only just made its final loan to South Korea, a country that has moved from being a recipient of concessional assistance to graduation from the bank in one generation. It can have many more. But now it is in trouble. Is Mr Wolfensohn the man to find the bank's way? Only time will tell.

After the finrand

South Africa has taken a brave decision. Events in Mexico and Latin America could have been used as justification for retaining its investment currency. Instead, Pretoria has chosen to abolish it. From today, foreigner investors can commit or withdraw their money at will, on the basis of a singla currency exchange rate.

Although South Africa still has a long way to go before all exchange controls are lifted – residents still cannot invest abroad – the country's policy makers will now have to heed the market as never before.

South Africa has, of course, always felt the impact of international sentiment. It was former president P.W. Botha's disastrous speech in 1985, when he turned his back on radical political reform, which precipitated the external debt crisis that in turn hastened the end of white rule.

On that occasion, however, Pretoria had an avenue of retreat, since it was able to use the financial rand as an inducement to nervous investors. That option has been closed. However bumpy the ride that South Africa may face, any return to the economic laager would be seen as a sign that the country's new governmant had failed as an economic manager, and nothing could overcome this judgement.

The real test of post-apartheid management comes not today, when the markets open, milestone though this is in South Africa's re-entry into the international financial arena. The ground has been well prepared and tha move long anticipated. The Reserve Bank has sufficient resources to defend the rand, at least in the medium term.

Net foreign exchange reserves have risen over the past 10 months from less than R1bn ($xx) to more than R12bn last month. International credit lines of about Rands 16bn have been negotiated, of which R13bn have not been drawn. Interest rates rose last month, and could well go up again later this month.

Further reassurance is likely to coma in Wednesday's budget, which is expected to maintain fiscal discipline, with the deficit forecast to fall to about 6 per cent of gross domestic product for 1995-96.

The critical tests of investor confidence, however, will coma in the months ahead. Can political stability be maintained, despite tensions within the government of national unity? Can President Nelson Mandela impose party discipline on his estranged wife, Winnie, and crack down on corruption? And perhaps most significant of all, can goverment, employers and unions agree on the most important issue confronting the country: the need to make South Africa more competitive in world markets?

Only if South Africa restrains wage increases and raises productivity can it ettract foreign investment, essential to the creation of the new jobs so urgently needed. But it remains difficult to reconcile this objective with the recent call by the minister of labour for South Africa to become more competitive in world markets, while at the same time appearing sympathetic to demands for higher wages. Squaring this circle is every bit as important to investors as abolishing the financial rand.

Still growing after all these years

The volatility on which the City of London thrives shows no signs of abating, says John Plender

New York and Tokyo may be larger financial centres, but the City of London is unquestionably the front runner in international finance. It has achieved pre-eminence despite the relative decline of the British economy and the near-demise of sterling as a reserve currency.

No other financial centre in history has enjoyed such success while being semi-detached from the domestic economy. Yet surprisingly little research has been done to explain the nature of London's unique competitive advantage in international financial services.

The publication of the final report of the City Research Project, a three-year study by a London Business School (LBS) team under Professor Richard Brealey, now fills many of the gaps. Commissioned by the Corporation of London at a cost of £1½m, it provides what Michael Cassidy, chairman of the corporation's policy and resources committee, calls "the first detailed health check" on the City's competitive position. What is the verdict?

The LBS team's data make it possible to build up a useful picture of the strengths and weaknesses of tha Square Mile. Finance and business services, widely defined, account for around a fifth of UK gross domestic product. Within this, the LBS reckons that mainly City-based international wholesale financial services generate employment for 150,000. Its upper estimate of their contribution to GDP is close to 2¼ per cent.

Most of the City's international activities have been growing strongly over the past 10 years. Of the main ones – banking, foreign exchange, securities trading and insurance – only insurance appears to have a serious problem, reflected in the decline of Lloyd's of London.

If anything, the rest of the City risks becoming a victim of its own success. The LBS estimates that in 1991 it still had a 65-75 per cent market share of eurobond underwriting and a 75 per cent share of secondary market eurobond trading. It also had a comparable share of international equity underwriting, while the London Stock Exchange's phenomenally successful SEAQ International system is reckoned to have done 64 per cent of global equity business conducted away from the home exchanges of the securities being traded.

The City still had 35 per cent of worldwide activity in swaps and 27 per cent of the foreign exchange market, where currency volatility appears to have delivered miraculous growth to the international banking community. While the market share in international bank lending is known to have been falling steadily, it was nonetheless big business for London, with an 18 per cent global share.

In fund management the share of assets managed in Europe for foreign institutional clients was 61 per cent – although if the international private client market is included London's share falls to 18 per cent, thanks to the retail strength of the Swiss, Luxembourgeois and others.

With other countries playing the game of competitive deregulation more aggressively, these market shares can only decline. Yet as the LBS indicates, the innovative capability of a large financial centre means that it will tend to have a dominant share in new, faster growing markets and a smaller share of more mature markets. A big centre could even have a declining share in eacb individual market, while continuing to take an increasing share in the aggregate.

Equally striking is that business in other financial centres can be complementary rather than competitive – witness how deregulation of government bond markets in Germany and France has helped increase business on Liffe, one of London's four derivatives exchanges.

The caveat, as Professor Brealey admits, is that many of the figures are tentative. Data for turnover and net revenue (see table) can include a mixture of underwriting, position taking, broking and market making, which makes interpretation tricky. In trying to establish the margins in a given market, says Brealey, you can only look people in the eye and hope the whispered response is not misleading.

The trading gains and losses, which are excluded from the table, are often large. There is evidence that net inventory losses on the London Stock Exchange may absorb as much as 90 per cent of the revenue from the market makers' spread between bid and offer prices. The size of these losses suggests that relative dealing costs on the exchange may be substantially less than generally assumed. Snch losses also affect dealing costs in London's other trading activities.

What, then, can we conclude about the competitiveness of the Square Mile? Throughout history, international financial business in any given time zone appears to have gravitated towards a single pre-eminent centre. The economic forces encouraging centralisation today includa a preference for deep and liquid markets; accomodating legal, tax and regulatory frameworks; skilled labour; and a cluster of supporting services in accountancy, law, telecoms and software.

The overwhelming message of the report is that these are hard for competitors to replicate. There is no substitute in international finance for being there first. Moreover, the growth of telecommunications, far from leading to the dispersal of financial services, appears to have encouraged centralisation by allowing London to serve a wider hinterland not only in the European time zone, but across the world.

Early deregulation has also been of benefit to London. The cost of telecoms, for example, is now low by international standards. And the general shift away from agency-type business, in which firms put little or no capital at risk, towards business conducted as principal, has played to London's strengths, since liquidity becomes more important.

What could threaten this seemingly unstoppable growth machine? It is possible for financial centres to price themselves out of markets, just as companies do. Yet the report's research into relative costs of regulation (see chart) do not point in that direction. The total cost is estimated to account for two to three per cent of net operating expenses in the City. While higher than previous estimates, the LBS found no evidence that UK regulation was undermining the City's competitive position.

The report argues that the greatest threats are likely to come in those areas where there is no competition to provide self-correcting disciplines. That means infrastructure, including taxation, external regulation, especially by the European Union, the legal system and transport, where there is obvious room for improvement.

As for European Monetary Union (EMU), there are advantages for the City in the UK staying out or going in. If the EMU member countries adopt onerous reserve requirements or restrictive practices to keep capital market business in the EU's domestic markets, London would probably capture more off-shore activity. Yet London could lose from non-participation in EMU if new financial market activity in the Union outstrips the growth off-shore.

Particularly telling, in the light of the Barings fiasco, is the report's concern about the way the close relationships that used to characterise financial centres are breaking down. The shift at Lloyd's from risk spreading to competitive risk trading may, it argues,' be a disturbing microcosm of what is happening in other financial markets'.

The increase in revenues accruing to individuals rather than the organisation is bad for enduring relationships. "If you can make a killing with one successful deal," say the authors, "you may not be so worried if in the process you weaken bonds of trust."

The level of global demand for wholesale financial services is clearly as important an issue for the City as competitiveness. With less rapid growth in international trade, a slow-down in financial innovation and fewer deregulatory shocks in prospect, growth may be less spectacular in future. But for the moment, the volatility on which the City thrives shows no sign of abating.

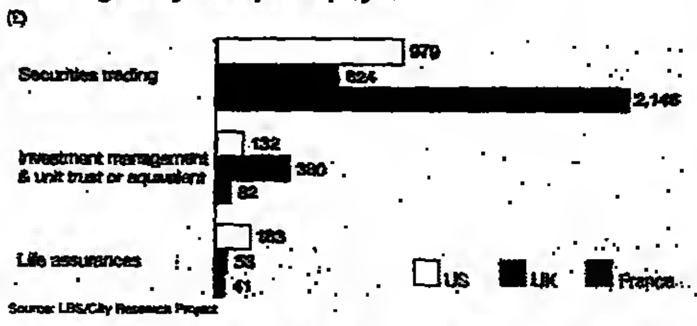
Like the City Research Project's diagnosis, that suggests that even allowing for the patcby performance of its domestically-owned institutions, London is a very long way from becoming a spent force in international finance.

City of London: keeping its edge?

Revenues
1991, before trading gains and losses

	TURNOVER £BN	NET REVENUE £M
London Stock Exchange – domestic	180	2,200
London Stock Exchange – Seaq International	142	958
International equity underwriting	8.7	175
Futures & options	na	816
Swaps	na	166
Eurobond underwriting	94	212
Eurobond trading	1,834	327
Bank lending	798	1,550
International fund management	59	176
International mergers & acquisitions	24.7	365
Foreign exchange	44,559	1,830
International insurance	7,172	1,806
Other	na	525
TOTAL REVENUE		11,111

Direct regulatory costs per employee
(£)



Source: LBS/City Research Project

Employment by category (Sep 1991)

	EMPLOYEES (000)	AS % OF GREATER LONDON
Banking & auxiliary services	83.2	45.5
Other financial institutions	6.3	18.0
Insurance & related activities	31.5	38.0
TOTAL	121.0	40.2

Source: Census of Employment

Time to separate school and state

MICHAEL PROWSE on AMERICA

A few centuries ago courageous thinkers urged the separation of church and state. Religion, they argued, is a personal matter. It should not be regulated or funded by government. The principle was duly enshrined in the first amendment to the US Constitution. The country thereby avoided much civil strife and created conditions in which a luxuriant profusion of religions could flourish.

Should we now consider the separation of school and state? I realise the question will appear absurd in a nation as backward as England which still has an established church. Every Brit knows education is one of tha primary responsibilities of government. Parents should perhaps have a marginal choice over schools, but the big decisions must be taken by more knowledgeable ministers and bureaucrats. We are not, after all, talking merely of the future of individuals. The nation's "competitiveness" depends on the success of state schools.

Americans are also attached to their public (government) schools, however badly they perform. Yet there are straws in the wind. Voucher schemes – which would allow parents to spend tax dollars on private schooling – are often proposed. And last week Bob Dole, the moderate Senate Repoblican leader, called for the abolition of the US education department, along with other federal agencies. This is less radical than it sounds since states and localities finance most US education. Yet his willingness to scrap a department that has been prominent in setting national education goals is indicative of the public mood.

The first reason why the state should not run schools is that government, by its very nature, is a poor innovator. Schools have changed little in 100 years. Tha teacher still stands in front of a classroom of kids. The school day is sliced into ridiculously short segments. The curriculum bears little relation to contemporary needs. Many pupils – probably a majority – learn little and become terribly frustrated. Few schools cater properly for the gifted.

We do not know what schools would look like if education were treated like other goods and services and provided, for profit, by competing private-sector companies. And we cannot judge by looking at the small (non-profit) private sectors in the US and UK, which inevitably take their lead from the public sector.

But entrepreneurs competing to satisfy the preferences of parents and students would undonbtedly innovate in countless ways. They would probably now be making mnch greater use of multi-media technology. Instead of providing a uniform product for all children, competitive schools would produce many different products tailored to the needs of pupils with different abilities and interests.

The second reason why government schools are undesirable is less well understood, but if anything more important. For those interested, I recommend a subversiva tract, Separating school and state* by Sheldon Richman of the Cato Institute, a Washington think-tank.

Mr Richman, a libertarian, believes government should do no more than establish a legal framework in which individuals can pursue their own goals. State control of education is pernicious because it leads to social conditioning: it imposes one set of values on everybody – those favoured by the establishment of the day. It also undermines the family by relieving most parents of one of their fundamental duties, which is to manage (and pay for) their own children's education.

To drive his point home, Mr Richman traces the origins of government schools. The modern concept of compulsory, state-financed schooling arose in 18th century Prussia. The primary goal was not to educate, but to turn children into pliant citizens who would revere the state. As Frederick the Great put it: "The prince is to the nation he governs what the head is to the man; It is his duty to see, think and act for the whole community." To this day, schools are regimenting children like little soldiers. Mr Richman quotes at length from leading 19th century US educators, who (like their counterparts in Britain) greatly admired the German model. One of them even referred to children as "human dough" to be placed on the "social kneading board".

So what, you may say: children are no longer indoctrinated. I wonder. Even a novel as innocuous as Huckleberry Finn is being banned in many US schools. The truth is that teachers cannot avoid transmitting values to children. If they are paid by the state and spend their entire lives within bureaucracies, they are unlikely to understand – or feel sympathy for – the capitalist system. Make them part of the market process and attitudes might change.

I also think Mr Richman is right to fear that state education undermines personal responsibility. On an overcrowded planet, most parents ought to shoulder the costs of educating their own children, and not rely passively on taxpayers. Not fair, critics will scream: the rich can afford better schools than the poor. But this is true today because the affluent either opt out of the state system or live in the right neighbourhoods. The advantage of relying on market forces is that they will raise the average quality of schools (just as they do of supermarkets) while offering far greater diversity.

*From The Future of Freedom Foundation, 11350 Random Hills Road, Suite 800, Fairfax Virginia, 22030.

OBSERVER

Washington race card

■ The race is on to succeed Andreas van Agt, the likeable Dutchman who bows out shortly as European Union ambassador in Washington – one of the EU's plum postings.

Hugo Paemen, a Belgian who served as chief of staff to Viscount Etienne Davignon, a former industry commissioner, has the strongest credentials. He speaks fluent English and is a trade specialist. As a former spokesman for the Commission, he also knows how to handle the media. This is essential because the ambassador's job involves selling Europe's case to often ignorant audiences.

But Paemen's faces a stiff challenge from Jim Currie, a Scottish bruiser who is currently number two to van Agt. Currie's advantage is that he served as an effective chief of staff to Sir Leon Brittan when he first came to Brussels, widely credited with protecting his master against Commission in-fighting.

Sir Leon, now EU trade commissioner, has the Washington job within his gift, but wants to avoid disappointing either Paemen or Currie. Step forward the dark horse: Horst Krenzler, the German director general of the external affairs directorate of the Commission, who is ahead of both his rivals on seniority.

Krenzler would be a safe but uninspiring choice. But his departure would free up a much-coveted director generalship. No wonder the Commission takes so long to decide on top posts.

Weather beaten

■ The US National Weather Service is conducting a rigorous survey among its customers, including the following multiple-choice question on red tape: "Overall, how much bureaucratic red tape did you experience in obtaining information services or data products from the National Weather Service? Over my head; Up to my eyebrows; Up to my knees; Up to my ankles; None." What – no room for "more than I can stomach"?

Merit award

■ The suggestion that South Africa's President Mandela has lost his chance of a knighthood because of the antics of his wife Winnie seem a bit far-fetched.

Nevertheless, speculation has been so intense that the British High Commission in South Africa has been forced to issue an official statement explaining that, in the event of a knighthood, the president's estranged wife and champion of the left will not be permitted to call herself Lady Winnie.

If the Queen is going to bonour Mandela, the Order of Merit makes far more sense. In terms of honours, it ranks well above a knighthood and, following the death of Professor Dorothy Hodgkin last July, there is vacancy. Meanwhile, the award of a knighthood to Mandela's deputy, F.W. de Klerk, would be a fitting consolation prize.

Russian stare case

■ Most of Russia's finance officials are feeling pretty pleased having all but convinced the IMF to part with $6.5bn to help plug the country's budget deficit. But Tatyana Paramonova, the acting head of the central bank, is not so happy. Someone is after her job.

Paramonova, 45, is one of a handful of women running a central bank and, by all accounts, she has been doing an excellent job. Called in to replace Viktor Gerashchenko in the wake of last October's rouble crash, Paramonova has kept a tight grip on Russia's money supply helping squeeze the monthly inflation rate down from 18 per cent in January to 11 per cent.

In contrast to her predecessor – once called the world's worst central banker by Professor Jeffrey Sachs – Paramonova has resisted all demands from Russia's stretched industrial and agricultural lobbies for fresh subsidies. Hence her unpopularity.

But she is no slouch when it comes to fighting her corner. The governor of the Bank of England may use his eyebrows to signal his displeasure but Paramonova has a more formidable weapon in her armoury - a terrifying stare. It has been known to make western financial officials quake.

Can you fire a P45?

■ When Britain's Ministry of Defence laid off 97 senior officers last week most of them got the news when letters dropped on to their doormats. The MoD has clearly spurned foppish inventions such as face-to-face interviews or a few kindly words of counselling to soften the blow. This sort of behaviour reminds Observer of the tale about a sergeant who had to inform a young member of his squad that his parents had died.

"All those in the platoon with a mother take one step forward," the squaddie barked.

"Jones, where are you going?"

Financial Times

100 years ago

Coal strike in Scotland

"The evil that men do lives after them," and the effects of tha Scotch coal strike are only now being realised. The loss to the colliery-owners and ironmasters must have been enormous. The men themselves were half-starved for many a week, living only on the doles of the English Federation and the local subscription. Yet what did the men gain by all this waste of their own and other people's money and the paralysis of half-a-dozen industries? After all the misery and throwing of money into the sea, they had to go back to work at very nearly the old rates of wages.

50 years ago

Bid for control

A contest for control of the Missouri-Kansas-Texas Railroad is coming up at the annual meeting of stockholders, according to the president, Mr Matthew S. Sloan. He urges stockholders to vote against proposals made by Mr E.N. Claughton of Miami, who now holds 167,400 Common shares, or 11 per cent of the total.

FINANCIAL TIMES
Monday March 13 1995

From soap opera maker to prime-time producer

Procter & Gamble joins television's major league

By Richard Tomkins in New York

Procter & Gamble, the US consumer products giant best known for its soap powder, toothpaste and nappies, has decided to embark on a new line of business. It has joining the top league of prime-time US television programme makers alongside companies such as Walt Disney, Viacom and Time Warner.

P&G sees the move as its best hope of ensuring that it has somewhere to advertise its products after the world of television has been transformed by the multimedia revolution.

Earlier this month tbe company formed a strategic alliance with Paramount Television, part of Viacom, to develop new network series pilots and first-run syndicated programming for US television.

The news provoked little reaction because P&G has been in the television entertainment business in a small way for decades, producing afternoon drama serials for US network telavision. The serials became known as soap operas because of the sponsorship by a soap manufacturer.

Last week, however, Mr Edwin Artzt, P&G's chairman and chief executive, told a meeting of advertising executives in New York that the Paramount alliance was only the first stage of a long-term strategy to become more actively engaged in television programmes.

Some media analysts bave predicted that, in the multimedia age, there could be nowhere for consumer goods companies to reacb a mass audience with advertiaements for everyday products lika aoap powder because viewers will be split between hundreds of specialist channels, many of them financed by pay-per-view charges or subscriptions instead of advertisements.

Mr Artzt, addressing a US advertising industry group called the Coalition for Advertising Supported Information & Entertainment, said he was confident that mass broadcasting, free at the point of consumption and financed by advertising revennes, would survive.

However, he added: "We've got to protect it; we've got to keep it healthy, and for P&G that means taking a more active role in the development and ownership of programming."

The alternative, Mr Artzt warned, would be to lose any say in how programmes were financed. If that happened, the television networks and prodnction companies might start looking beyond advertising for other ways to maximise revennes.

In the partnership with Paramount Television, which produces many popular US television programmes, including *Star Trek*, *Roseanne* and *Cheers*, each company will contribute 50 per cent of the costs of developing programmes, and hopes to recoup its investment by selling them in the US and overseas.

Mr Robert Wehling, P&G's senior vice-president for advertising, market research and public affairs, said the programming envisaged would he directed towards the development of "night-time series programmes" rather than soap operas.

Report paints bright picture of London as financial base

By Andrew Adonis in London

The City of London's standing as a pre-eminent international financial centre is not in danger and may even be enhanced by European integration, according to a study of its competitive position published today.

However, the report highlights shortcomings in transport, property and promotion as "key competitive threats", and raises the possibility of a special levy on businesses to help pay for improved public transport.

The report concludes a £1.5m ($2.5m), three-year independent study led by the London Business School. Funded by the Corporation of London, local authority for the "Square Mile", it claims to be the most comprehensive study of the City's competitive position ever published.

Casting doubt on the idea that London's future hinges on competition between "monolithic" financial centres, the report says the commercial and technological forces for the concentration of financial business remain as strong as ever.

It says: "The greater integration of the European economies is likely to create pressures for financial services to become more concentrated in London."

■ Page 15: Still growing after all these years
■ See Lex

Prof Richard Brealey of LBS, who directed the research team, said: "It is almost an irrelevance to think of competition between cities such as London, Paris and Frankfurt: the issues facing London concern details of infrastructure."

The study team paints a bright picture of the state of London's financial services sector. It says mainly City-based international wholesale financial services employ about 150,000 people and generate output of between £10bn and £15bn a year.

Professor Brealey said the research offered "little support" for tbe notion that London suffers from over-costly regulation.

In securities, it finds that the UK's direct regulatory costs amount to 0.54 per cent of total net operating expenses, almost half the level in the US.

The report shows that most of the City's international activities have been growing strongly over the past 10 years.

Public transport is one of the main weaknesses highlighted.

Iraq invites foreign oil companies

Continued from Page 1

the announcement, and most judged it genuine.

"They have no other choice," said one French company official, citing the impoverished and indebted state of the country and its need to generate large amounts of cash to pay war reparation and reconstruction costs.

The French oil companies Elf Aquitaine and Total were particularly prominent at the weekend meeting, as were Agip of Italy and Repsol of Spain.

All have been negotiating multi-billion dollar deals with the Iraqis.

But there were no representatives from the big UK or US oil companies. Iraqi officials said they had spoken to some of them, and that US and UK companies would not be excluded from any project.

The announcement of a new oil policy coincides with intense diplomatic lobbying by Baghdad to persuade the security council that it has complied with UN resolutions. A vote on whether to lift the oil embargo might take place as early as next month. That is when the security council expects to learn whether Iraq has complied with demands that it must dismantle its capacity to produce weapons of mass destruction.

The US opposes any early lifting of sanctions. But if the report is generally favourable, France and Russia may try to have the embargo suspended or relaxed to encourage better behaviour by Baghdad.

India's governing party faces defeat in two states

By Mark Nicholson in New Delhi

India's ruling Congress party was rebuffed by voters in two of the country's most prosperous states yesterday.

Voters looked set to oust Congress governments in favour of rightwing Hindu nationalist parties in Gujarat and Maharashtra.

Congress won some consolation, however, with an unexpected victory in the eastern stata of Orissa, among India'a poorest.

The results are a further blow to the national ruling party, which lost two vital southern states in elections in November. The setback is certain to worsen internal dissent within the party and galvanise factions seeking to remove Mr Narasimha Rao, the prime minister. The outcome also provides an unwelcome backdrop to Wednesday's national budget.

Political pressures to appease critics of the Congress-led economic reforms – from within Congress and among the resurgent opposition – will require Mr Manmohan Singh, the finance minister, to juggle between satisfying local business and foreign investors' calls for deeper reforms while offering politically expedient "populist" measures.

After the latest polls, leaders of the Bharatiya Janata party, the rightwing Hindu party, immediately called for Mr Rao's resignation and a national general election. General elections are not due until May next year.

The BJP routed Congress in Gujarat. Partial results showed the nationalists having won 83 seats in the 182-member assembly, against 35 for Congress.

In Maharashtra, India's richest state, which has Bombay as its capital, an alliance between the BJP and Shiv Sena, its more militant Hindu nationalist partner, was set to form the biggest grouping with at least 130 seats, although it looked likely to fall short of an outright majority in the 288-seat assembly. Partial results showed Congress on course to win 80 seats, more than 60 down on the last state poll in 1990.

In both western states, the Hindu parties' campaigns combined claims that the liberalising economic reforms introduced by Congress since 1991 were against the poor. Botb BJP and Shiv Sena have indicated their broad support for continued economic liberalisation. But share falls on the Bombay stock market on Saturday, anticipating Congress defeats, suggested the market would dislike the results.

In Orissa, Congress was the unexpected beneficiary of India's apparent wave of anti-establishment voting, looking set to win 80 of the state assembly's 147 seats. Congress will replace the leftist Janata Dal government, which held 117 seats in the outgoing assembly.

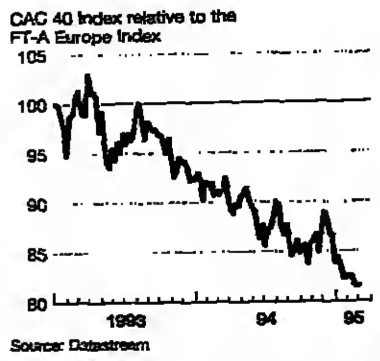
THE LEX COLUMN

Balladur blues

France has been European equity strategists' favourite market for the past five years. Bnt French stocks have been consistent only in their ability to disappoint. The CAC-40 has underperformed the FT-A Europe index every year since 1990; since January last year the CAC has tumbled 25 per cent. However, French equities may be about to turn.

French equities

CAC 40 Index relative to the FT-A Europe Index



Source: Datastream

True, the immediate auguries are not propitious. Political uncertainty has heightened following Mr Delors's decision not to run for the presidency and Mr Balladur's deteriorating popularity in the polls. Currency turmoil has also forced up interest rates, reducing the attraction of equities.

But such concerns are short-term. Speculation against the franc should abate. Further depreciation cannot be justified by macro-economic fundamentals. Indeed, the currency is probably undervalued against the D-Mark on the basis of inflation and economic growth. As for politics, the market is unlikely to move forward strongly until after the May elections. But the outcome is probably academic for the markets, although if Mr Jospin wins the need for legislative elections will extend the uncertainty. Nevertheless, all three leading candidates are well aware of the need for tax increases and government spending cuts to rein in the budget deficit. Such measures ahould underline the new government's anti-inflation credentials, force down bond yields and improve the prospects for equities. The weeks before the spring elections may prove French equities' darkest hour.

UK electricity

The electricity regulator's refusal on Friday to set any parameters to his review of the industry's existing price structure leaves investors to fear the worst. This does not mean that regional electricity company shares will continue to plummet. A much tighter regulatory regime has already been priced into the market, which may even have overreacted last week to the shock of the price review.

While uncertainty over the pricing regime is bound to depress share prices in the short term, the imposition of a new regime, even a stern one, could spark a recovery. A quick fix may be difficult, however. Recs do not have a history of presenting a united front. Some companies are in a stronger financial position than those which have used spare cash to buy back shares. A cash rebate to customers is a neat solution, with strong political appeal. It would help reduce cash piles. However, it would prove to be only a short-term fix, as recs would quickly accumulate more cash. Any suggestion that the new regulatory regime will not be stable will fail to restore the market'a confidence.

Laxity at the time of privatisation has left the electricity companies with ludicrously strong balance sheets. They can cope with a tightening of the price formula, as well as a cash payout. Tbe worst case outcome of a tighter regime and no flotation of the National Grid would at least mean that the Grid would continue to contribute to dividend growth. It would be rash to suggest that electricity shares are a buy, given the uncertainty overhanging the market. But, after last week's sell-off, they are a bold.

Mexico

The latest economic package from Mexico is designed to please foreign investors and creditors. So far, it has succeeded. The catch is that it may prove hard to impose in a country which has a history of economic planning by consensus. The 10 per cent increase in the minimum wage will do little to help Mexico's poor.

Nevertheless, the plan has a greater chance of success than previous attempts to stop the rot, following the devaluation of the peso in December. The main reason for optimism is that the government's economic goals are much more realistic than in previous packages. Even then, the new inflation target of 42 per cent may well be overshot. Crucially, though, the new target rate for the currency is tenable, judging by the peso's dramatic recovery on Friday. Previous packages have failed because the peso plummeted before implementation was possible.

One potential problem is that the banking sector could come under renewed pressure due to a spate of defaults, in spite of measures in the new plan to reduce corporate debt. However, help is coming in the shape of foreign banks, which have gained approval to enter the Mexican market. Mexico'a smaller banks may well end up in foreign hands.

However, Mexico is not out of the woods yet. Investors' relief that a credible programme is at last on the table has provided a respite. But the bounce in Mexican financial markets was partly technical, as many traders had to cover short positions. Any signs that the measures are proving politically unacceptable within Mexico could spark a further sell-off.

The City of London

The exhaustive City Research Project provides a frank assessment of the strengths and weaknesses of London as a financial services centre. For all the debacles of recent years, the City has powered ahead in growth sectors such as foreign exchange, securities dealing and fund management. But the report is correct to argue that there are no grounds for complacency.

The City is swift in adapting to challenges arising from straightforward competition in the marketplace for financial services. The bigger challenge comes from broader infrastructure issues over which individual firms have no control. These include the shambolic state of London's public transport system: the gruelling journey from Heathrow airport to central London is enough in itself to drive business to Frankfurt. Here, the report suggests, businesses could help, by agreeing to a hypothecated increase in the property tax to finance improvements to the Underground system.

Another potential threat to London's competitiveness is the regulatory regime, which has traditionally been friendly to the domestic financial services industry and to foreign institutions eager to escape sterner regulation at home. But as the centre of legislation drifts away from Westminster to Brussels, the danger increases that regulation will become dirigiste rather than pragmatic. The fragmented way in which the City is governed – by institutions such as the Bank of England, the Corporation of London and the Stock Exchange – means that the interests of the City as a whole are not always well defended.

FT WEATHER GUIDE

Europe today

A zone of high pressure over south-western England, the North Sea, Denmark and southern Sweden will slowly shift southward. Springlike conditions will persist in southern England, the Low Countries, western Germany and France. Scotland and northern parts of Ireland will have cloud and rain. Windswept rain will buffet the coast of western Norway.

A depression over northern Tunisia will move east, bringing unsettled conditions, with thunder and rain, to southern Italy, Sardinia, and later western Greece. Northern Algeria and Tunisia will have heavy rain.

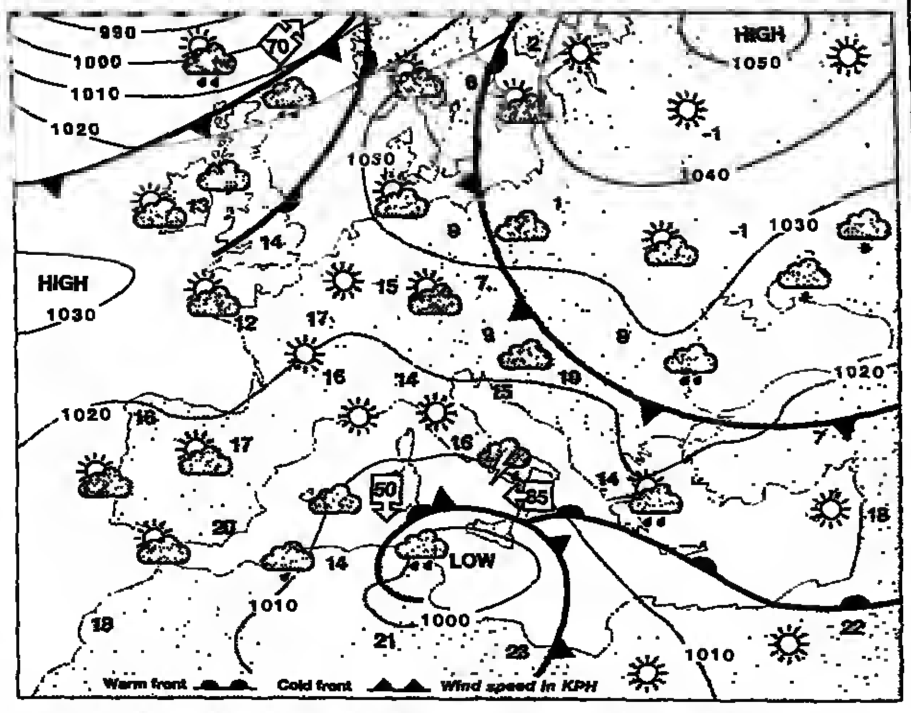
A strong easterly gale striking Sicily will shift slowly eastwards, reaching Greece in the evening.

Five-day forecast

Cool and unstabla air will drive the springlike conditions over the continent south-eastward on Tuesday and Wednesday.

Cloud and rain will spread over England, the Low Lands, and France on Wednesday. Temperatures will fall below 10C.

A depression near Scotland will mean cool, unsettled conditions for western Europe later in the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

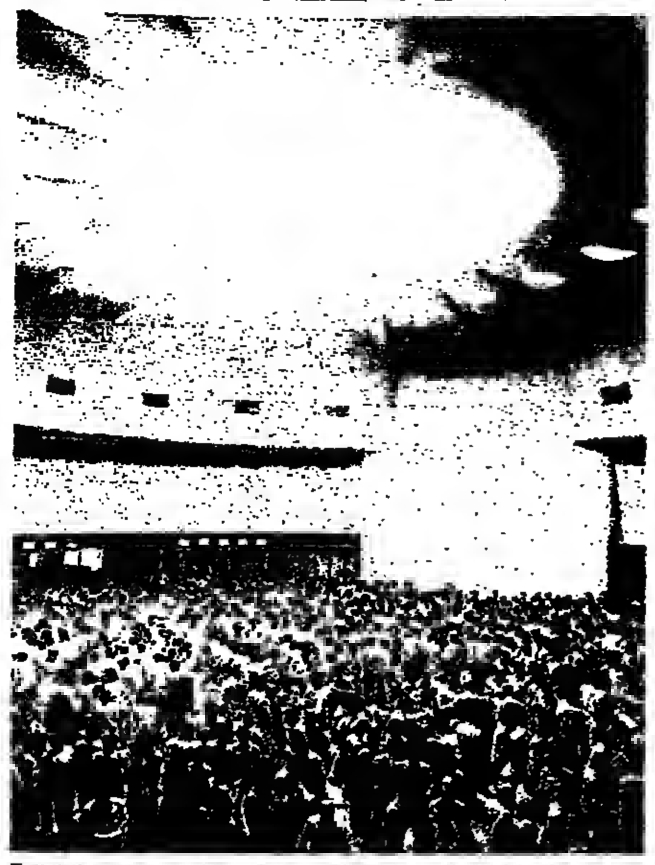
TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	rain	22
Accra	fair	32
Algiers	rain	14
Amsterdam	sun	13
Athens	shower	14
Atlanta	fair	19
B. Aires	fair	27
B.ham	fair	13
Bangkok	sun	35
Barcelona	fair	17
Beijing	sun	12
Belfast	cloudy	12
Belgrade	cloudy	10
Berlin	cloudy	9
Bermuda	shower	19
Bogota	cloudy	21
Bombay	sun	32
Brussels	sun	15
Budapest	cloudy	11
C.hagen	fair	7
Cairo	fair	22
Cape Town	fair	25
Caracas	fair	28
Cardiff	fair	12
Casablanca	fair	18
Chicago	fair	15
Cologne	sun	15
Dakar	fair	25
Dallas	thund	20
Delhi	sun	28
Dubai	shower	21
Dublin	fair	13
Dubrovnik	fair	15
Edinburgh	cloudy	14
Faro	fair	19
Frankfurt	sun	14
Geneva	fair	11
Gibraltar	fair	18
Glasgow	rain	14
Hamburg	fair	12
Helsinki	sun	2
Hong Kong	cloudy	21
Honolulu	cloudy	28
Istanbul	cloudy	8
Jakarta	fair	31
Jersey	fair	11
Karachi	fair	29
Kuwait	rain	26
L. Angeles	sun	20
Las Palmas	shower	21
Lima	cloudy	28
Lisbon	fair	20
London	fair	14
Lux.bourg	sun	13
Lyon	sun	13
Madeira	shower	13
Madrid	fair	17
Majorca	cloudy	17
Malta	sun	18
Manchester	cloudy	13
Manila	cloudy	32
Melbourne	fair	24
Mexico City	fair	23
Miami	windy	25
Milan	sun	14
Montreal	cloudy	10
Moscow	sun	-1
Munich	fair	8
Nairobi	fair	29
Naples	thund	15
Nassau	cloudy	25
New York	sun	14
Nice	sun	15
Nicosia	sun	13
Oslo	fair	6
Paris	sun	17
Perth	fair	32
Prague	cloudy	7
Rangoon	sun	35
Reykjavik	snow	1
Rio	cloudy	27
Rome	sun	18
S. Frsco	shower	19
Seoul	fair	12
Singapore	fair	32
Stockholm	fair	8
Strasbourg	sun	13
Sydney	fair	26
Tangier	shower	19
Tel Aviv	fair	19
Tokyo	shower	16
Toronto	fair	12
Vancouver	rain	11
Venice	sun	13
Vienna	cloudy	9
Warsaw	cloudy	1
Washington	sun	17
Wellington	fair	21
Winnipeg	fair	7
Zurich	fair	10

FINANCIAL TIMES SURVEY

INVESTING IN INDIA

Monday March 13 1995




Two speed country: dealers trade in the Bombay stock exchange while elephants walk past New Delhi's India Gate   Pictures: Tony Andrews

Elephant in a race with the tigers of Asia

India is modernising as fast as it can. Direct foreign investment is slow by Asian standards, but businessmen like its vibrant private sector and feel it is much too big a market to ignore, writes Alexander Nicoll

For the ruling Congress party, which has opened up India's economy since 1991, Mr H.K. Deve Gowda's victory in Karnataka's state elections last year was a serious setback. But his first move sent a heartening signal, now being echoed across the country, about the durability of economic reform.

On the day he assumed office, the Karnataka chief minister, who represents the leftist Janata Dal party, was asked for his views on economic liberalisation by the prime minister, Mr P.V. Narasimha Rao. "I told him there might have been a change of government but I will stand by you and there is no question of deviation." Mr Deve Gowda said.

He is now to be seen at gatherings of private sector industrialists such as the annual meeting of the World Economic Forum in Davos, Switzerland. Nor is he unique. Governments of all political hues, from the capitalist boom cities in the western states of Maharashtra and Gujarat to run-down, communist West Bengal in the east, are trumpeting their investor-friendliness.

During the next few months, chief ministers of several states are expected to canvass for investment on visits to the US, which is easily the biggest source of new direct investment in India.

State-level politicians have espied the potential benefits of reform just as the Congress government in New Delhi has shown signs of faltering. Mr Narasimha Rao has suffered severe political damage from electoral reverses, and his leadership of the party is being challenged.

Though the prime minister insists that reforms are irreversible, his ability to make further significant moves towards liberalisation is curtailed by opposition from within his party. There is little evidence that reforms have been unpopular, but nevertheless he is criticised by party members for not getting their benefits across to voters.

The strongest opposition to reform now appears to come from elements of the Congress party which has been in power for most of the post-independence period since 1947, and finds it hard to abandon the Nehruvian values of socialism and self-sufficiency which had economically isolated India from the western world.

Mr Narasimha Rao is under considerable pressure to introduce so-called pro-poor populist measures, such as increases in food subsidies, in the budget this week, in order to win back votes in time for the general elections due by June 1996.

However, because the party's state election reverses do not appear to have set back the cause of reform, it is becoming commonplace for businessmen to assert confidently that the palpable momentum in business and industry will be maintained whatever the outcome of elections.

"Whether it is Congress or the (opposition) Bharatiya Janata Party, economic policies will remain on track," says Mr Anil Ambani, joint managing director of Reliance, India's largest industrial group. "We don't see any great reversal. Governments in the states are following the economic policies of the centre."

Given the feverish complexity of India's politics, and the country's vulnerability to sudden, violent flare-ups, such optimism may be bold. The make-up of the government after the 1996 elections is impossible to predict. Congress may seek to strike alliances with parties which have power bases in individual states.

But while the central government's ability to drive reform forward has been blunted, there is growing evidence of state governments seeking to loosen their economies from the shackles of domination by the public sector:

- Mr Jyoti Basu, chief minister of West Bengal, commissioned foreign consultants to produce a report on the state's industrial future, spelling out in frank terms what needs to be done to create an economic rebirth after decades of decline. When the Confederation of Indian Industry (CII) held its centenary conference in Calcutta, the state capital, the veteran communist took the opportunity to publish the report at the biggest gathering of Indian and foreign private sector businessmen ever held in India.
- In the central state of Andhra Pradesh, Mr N.T. Rama Rao, the chief minister, who inflicted a crushing defeat on Congress by promising rice for all at Rs2 per kilogram, is seeking to finance his munificence through extensive privatisation.
- In the poor eastern state of Orissa, privatisation of the bankrupt electricity system is under discussion.

It is not that leftist state governments have fully embraced the philosophy of opening India up to global competition and tearing down the protectionist barriers which had kept bankrupt companies in business and political barons in power. Their main interest is in attracting the foreign capital which they see coming into other states, and in shoring up their weak financial positions.

Nor is the new trend in the states likely to lead to an immediate sharp acceleration in India's economic growth.

Industrialists, partly because they want time to improve productivity and quality so that the arrival of foreign competition is not too traumatic, insist that India's progress will be more like that of an elephant than a tiger: slow, but with a momentum that will be hard to stop. "We're not going anywhere fast," says Mr Tarun Das, director-general of the CII.

The economic indicators bear this out. Economic growth has picked up in the financial year which ends in March and is expected to reach 5.3 per cent, compared with 3.6 per cent last year. A spurt in industrial production, helped by healthy growth of exports, is contributing.

Last year's budget gamble by Mr Manmohan Singh, the finance minister who has guided India's reforms, appears to have paid off. He sought to boost growth without reining in the growing budget deficit too fiercely. Though government spending will over-shoot its target, so too will tax revenues, bringing the deficit in close to its target of 6 per cent of gross domestic product.

The most serious concern, however, is the rise in wholesale price inflation which is running at around 11 per cent and is forecast by many economists to accelerate in the coming months.

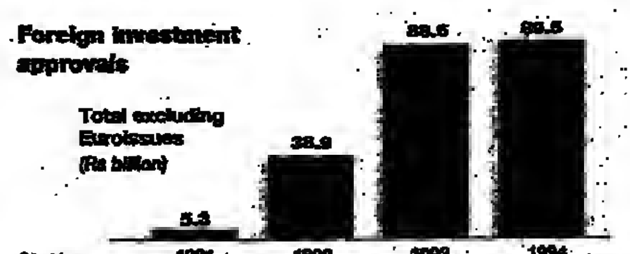
The precise cause is unclear, but the effect on the money supply of inflows of foreign capital into India's stock market has been an important factor. The Reserve Bank of India has been guiding interest rates higher in order to put a monetary brake on inflation. But many see the solution in selling part of the food stocks which the government has built up thanks to a series of good monsoon rains.

"We see the problem on the supply side," says the CII's Mr Das. "Why are we holding 31m tonnes of foodgrains in stock? Is there a nexus between the traders and the government?" Mr Das also urges stepped-up imports of edible oils to reduce shortages.

Restraint of inflation is vital since about a third of India's 900m people live at or below

Continued on next page

Foreign investment approvals



Of which	1991	1992	1993	1994
US	1.8	12.3	34.6	34.8
UK	0.3	1.2	8.2	13.0
Germany	0.4	0.9	1.7	5.7
Japan	0.5	8.1	2.6	4.0
Italy	0.2	0.9	1.2	3.9
Australia	0.03	0.8	0.3	3.9

Source: Industry Ministry   Country totals exclude investments to be channelled through Mauritius

IN THIS SURVEY

Production editor: Maurice Samuelson
Design: Robin Coles
Graphics: Robert Hutchison

■ Fund profile: UNIT TRUST OF INDIA

Biggest mover in the capital markets

With Rs 620bn ($20bn) of investible assets, Unit Trust of India is the largest operator in India's rapidly developing capital markets. But it is by no means an ordinary mutual fund.

As well as investing in stocks and bonds, it makes term loans to industry, and fosters ventures intended to develop India's capital markets, such as credit rating agencies and specialised finance houses. It is active in short-term money markets and has set up a bank as part of its drive to become a diversified financial conglomerate – all funded directly by unit-holders who have more than 37m accounts.

UTI's unusually diverse role stems from the social purpose given to it by Act of Parliament at its foundation in 1964 as an institution intended to channel the small saver's money into industrial development.

Its agents, numbering nearly 100,000, tramp the fields of India selling units on commission to the country's vast rural population.

Since liberalisation began in 1991, UTI has had to cope with a new regulatory structure and with competition from other mutual funds. But, unlike many public sector concerns whose inefficiencies have been laid bare in this process, UTI appears to be maintaining its dominant position.

"Investors have been more than satisfied," says Mr S.A. Dave, chairman.

An independent "social audit committee", asked by trustees to determine whether UTI was meeting its original objectives, found that it was well viewed both by investors and other financial institutions. "The cardinal strengths of UTI are its honesty, security and innovativeness," according to the report published last October.

However, notably absent from the committee's report was a considered judgment on UTI's investment performance. This was because of the organisation's lack of transparency, the illiquidity of some investments, and the murky investment policy of some of its funds.

The largest fund, Unit Scheme 1964, which accounted for 39 per cent of UTI's investible funds at end-June 1994, is a "hybrid" – that is, it seeks a blend of modest capital growth and income for investors. Its portfolio includes large term loans, and its net asset value is therefore difficult, if not impossible, to calculate exactly.

The social audit committee found that Unit Scheme 1964 had consistently outperformed bank deposits and had usually yielded more than National Savings Certificates. This may not have been too difficult to achieve. On balance, however, the committee found that the fund had "proved rewarding for the small, risk-averse investors for whom it was originally designed".

Because of its size and liquidity, Unit Scheme 1964 also became a repository of large amounts of companies' surplus cash. UTI has established another fund designed to attract this kind of money market investment.

Most other UTI funds have a more specific investment policy, including some which provide a guaranteed income. These include funds with a social purpose, such as the Rajlakshmi savings scheme for girls, intended to provide a lump sum to finance marriage expenses and thus to reduce female infanticide and killing of brides because their dowries are thought too small.

UTI's best-performing growth fund, Mastershare, has done respectably compared with the stock market index in terms of its net asset value. But investors have become aggrieved at widening discounts of market price to NAV, and the committee found that UTI had not acted aggressively enough in the stock market to narrow the discounts.

UTI is, however, being spurred into improving some practices because of the growth of competing mutual funds which account for 20 per cent of the business. Its listed schemes now publish NAVs each week.

Mr Dave says it is not possible to do better than this because UTI's stock market investments are spread around many exchanges and it takes time to obtain details both of purchases as well as of redemptions by unit-holders. Another step towards greater openness is the quarterly release of the size of UTI's largest shareholdings.

A survey commissioned by the social audit committee found that 87 per cent of urban customers and 94 per cent of rural users had first bought UTI units after 1986. This upsurge of interest, coupled with the explosion in stock market activity in recent years, has made it increasingly difficult for UTI to service its customers promptly. It is taking steps to address this.

The reform of India's financial markets is bringing other important concerns for UTI as it continues to grow rapidly:

● *Stock market liquidity.* Mr Dave shares brokers' dismay at reduced liquidity since the abolition last year of "badla", the market's carry-forward system – though he also believes badla made the market too volatile. The market's ability to finance trades has been reduced to one-sixth of its previous capacity, he says.

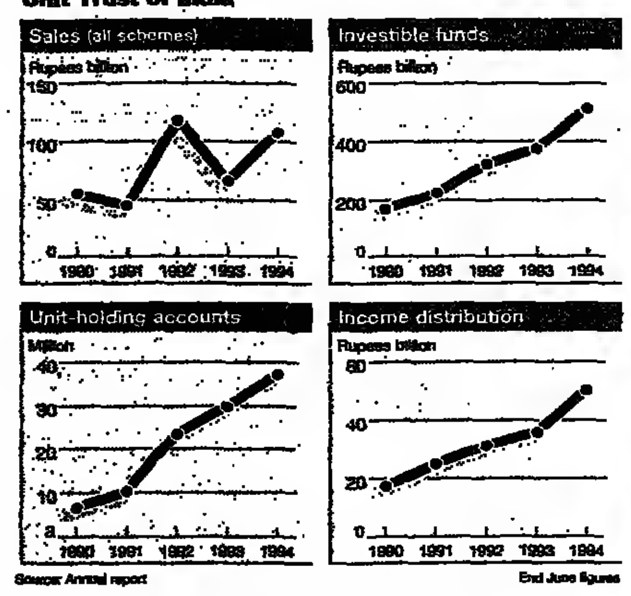
Although UTI is a long-term investor rather than an active trader, it now finds it difficult to execute large deals. "We should devise a system for liquidity without volatility," Mr Dave says. He also favours greater transparency in stock market trading, such as has been introduced by the automated National Stock Exchange which now competes with the much larger Bombay Stock Exchange for business.

● *Debt market development.* UTI is a large investor in debt securities and has played a leading role in developing the market, though hampered by the official regulation of interest rates which has been partially relaxed since liberalisation. Banks have habitually sat on government debt holdings, partly because of previous high requirements to fund the government.

Mr Dave says that as a result, there is little liquidity. "So many times, we all turn out to be on one side, either buyers or sellers." He urges the use of repurchase agreements, which fell out of official favour following abuses in the 1992 stock market scandal.

● *Shareholder power.* India is inching towards relaxation of laws which make it possible for a company's management to block transfer of control. But UTI, which forms a large institutional investor bloc in most private sector companies along with government-owned insurance companies, is against open confrontation.

Unit Trust of India

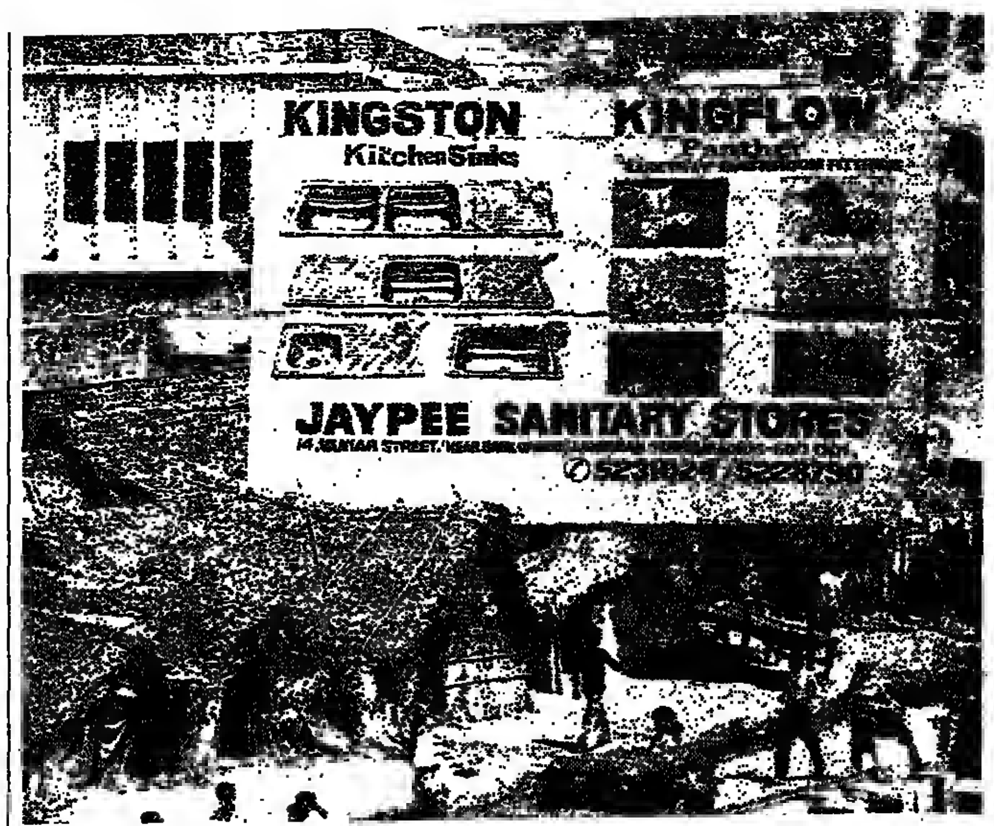


Source: Annual report End June figures

The institutions have, Mr Dave says, developed "very healthy conventions" under which companies discuss problems quietly with them before boardroom battles break out.

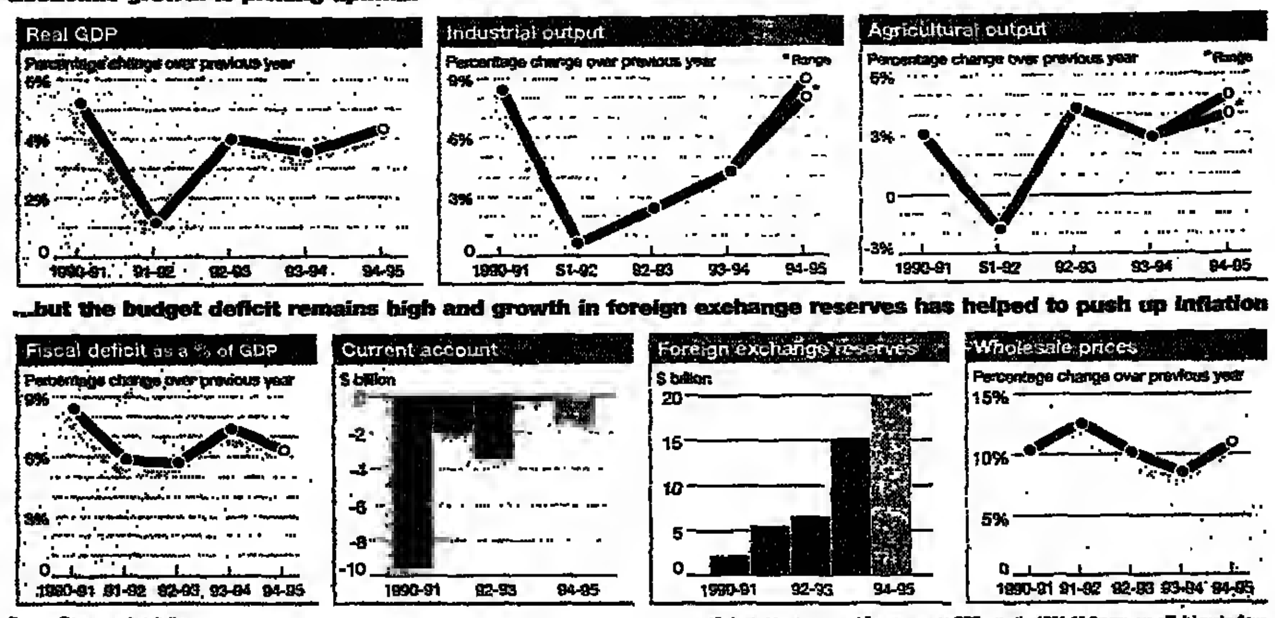
Given the current general satisfaction with UTI's role and performance, radical changes appear unlikely. It appears set to maintain a conservative approach, responding to the demands of the changes in India's capital markets and playing a quiet but influential role in their development.

Alexander Nicoll



Wealth and poverty in the slums of Madras: all mod. cons. but of no use to the majority Picture: Tony Andrews

Economic growth is picking up......



Source: Government statistics All charts March year end figures except GDP growth, 1994-95 figures are official projections

Elephant contends with tigers

Continued from Page 1

the poverty line. The nation will look to Mr Singh's budget to tread a fine balance between fostering further growth and liberalisation, curbing inflation and boosting the Congress party's electoral prospects.

Mr Singh, who will be presenting his fifth budget, is entitled to be pleased at the progress India has made since the initial package of reforms helped to rescue the country from a balance of payments crisis in 1991.

The web of bureaucratic control over business has been considerably thinned, though still far from abolished. Tariffs have been cut to a maximum 65 per cent and are expected to fall further. Reform of the chronically inadequate taxation system has begun. Interest rates have been partially deregulated and the financial services industry is being opened up.

Foreign direct investment has risen to levels which are low by Asian standards, but is likely to swell as ventures agreed upon in the past two years get under way and require capital.

Foreign businessmen, including many visiting India for the first time, have been packing the hotels this winter. With reform still in its early years, they view India with caution. But most feel they cannot afford to ignore its huge size and market potential. They are attracted by a vibrant private sector, an English-based legal system and the ability to do business in English.

Trade has also expanded, though still to levels dwarfed by Asian competitors. It may receive a stimulus at the end of March when a new burst of trade liberalisation is expected following the recent re-appointment of Mr P. Chidambaram, a vocal advocate of reform, as commerce minister following two years in the wilderness.

As the economy and manufacturing investment grow, the weaknesses of India's sagging infrastructure are becoming more glaring and the capital investment needs are soaring. Poor infrastructure will be the biggest restraint on India's growth, raising manufacturers' costs and reducing their efficiency as well as their ability to deliver on time.

The creation of adequate power and telecommunications facilities alone could require $100bn of investment, let alone the building of roads, airports, ports, and even more basic needs such as providing drinking water and improving sanitation, health care and schools.

These inadequacies, combined with untrained managers, poorly-educated labour forces, powerful trade unions, restrictive labour laws, and an obdurate bureaucracy, can make doing business in India a struggle, particularly by comparison with more advanced Asian countries.

Though ministers and bureaucrats have recognised the urgent need for more electricity and telephone lines, they also see infrastructure as an area in which they can still exercise patronage. Foreign governments have repeatedly called for better planning and more transparency in tendering procedures for infrastructure projects.

For foreign companies which establish ventures in India, bureaucracy is still a headache as they seek separate official sanctions for basic supplies – water, electricity, telephones – to their plants and attempt to steer necessary imported machinery and materials through antiquated customs procedures.

A further drag on growth is the sprawling, inefficient public sector. While some government controlled companies, such as Steel Authority of India (SAIL) and State Bank of India, have revamped their management strategy and are becoming more streamlined, most others are still driven by bureaucratic concerns rather than commercial discipline.

At Air India, the international carrier, the managing director was replaced without notice last month while in the middle of an important dispute with cabin crew over work practices. Though the government has sold minority stakes in some companies to the public, a formal privatisation policy still seems some way off in Delhi in spite of the new enthusiasm among state governments.

These brakes on investment and growth lead foreign governments which have been prominent in encouraging investment in India to spur the country on. Mr Douglas Hurd, the British foreign secretary, said during a recent visit: "Reform as fast as you can. The rest of the world is not standing still."

Mr Goh Chok Tong, prime minister of Singapore, was more blunt. "Many potential investors in India are holding back because they are unsure whether the commitment to reform is deep-seated and widely supported across party lines, and because many rules are not transparent. India needs to convince them that it is serious in wanting to open up."

Mr Goh's message was that in the competition with prosperous Asian neighbours for investment and trade, India has barely left the starting line.

INVESTING IN INDIA 3

Ask any Indian industrialist, foreign investor or government official to outline the country's most urgent and basic infrastructural requirements and the phrase "mind-boggling" is almost certain to crop up at some point, writes MARK NICHOLSON.

Only in China is the task of building, and financing, necessary power projects, communications services and transport systems of equivalent immensity.

India has, for instance, a present average peak power shortfall of 18 per cent, and will require 57,000 Megawatts of new generating capacity even to keep pace with demand up to 2002, according to power ministry estimates: that is a 75 per cent increase on available capacity which thumbnail industry calculations suggest would require almost $60bn of investment to achieve.

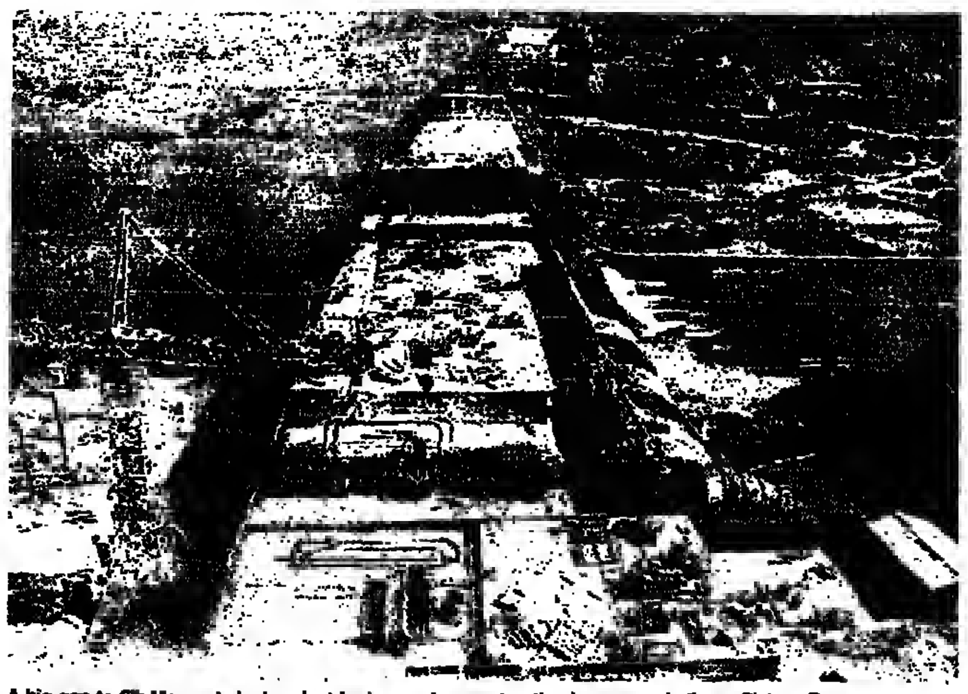
There are only eight telephone lines per thousand people, and clearing present waiting lists alone would cost an estimated $20bn.

In road transport, the government has identified priority highways and bridges it estimates will cost $6bn. According to Essar, one of India's biggest industrial groups, even supplying New Delhi with a basic tramway system, which would only partially meet the capital's transport needs, is likely to cost $3bn.

Little wonder, then, that when Mr P.V. Narasimha Rao, India's prime minister, embarked on his modernising reforms three years ago be saw no choice but to open the whole field of infrastructural development to private, and particularly foreign, investors.

Neither is it any surprise that India has since attracted the interest of the world leaders in power, telecommunications or civil engineering, or that Indian industrial giants such as Essar and Reliance Industries are husily entering foreign joint ventures or venturing themselves into often uncharted waters.

But this great heave to creata the essential underpinnings for an economy growing at 5 per cent a year, and which must grow faster to meet the needs of its 900m inhabitants, is testing to the extreme both the government's managerial and procedural abilities and India's outright



A big gap to fill: Narmada hydro-electric dam under construction in western India Picture: Reuter

■ BUILDING THE INFRASTRUCTURE

A mighty effort to provide amenities

financial capacity. In many cases it is not clear that the governing or financial infrastructure is yet properly in place to provide for the physical infrastructure projects being planned.

Take the power sector. Since the doors were opened to private and foreign investors, the power ministry has received interest in 137 projects, including 41 foreign joint venture proposals, to install 59,866 MW of new capacity. Simply coping with this bidding deluge has been like "learning to play solo violin in public", says Mr R. Vasuderan, India's power secretary. "Nobody really knew what it was all about until the investors started arriving with their armies of lawyers. We have been forced to learn very fast."

Though a raft of complex issues remain to be resolved, progress is apparent. "India is moving pretty quickly on power projects relative to anywhere in the world," says one western commercial attache. And power policy continues to evolve, particularly with regard to the single biggest problem of ensuring that power contractors will be able to count on payments from loss-making state electricity boards. Most boards provide beavy, and politically sensitive, subsidies to favoured customers, notably farmers.

As a first step towards creating confidence among foreign investors, the government encouraged eight "fast track" projects in which state governments agreed to guarantee the payments of their SEBs and New Delhi undertook to counter-guarantee the states. Enron, the US energy company, last month closed its financial package on this basis for a 695 MW plant it plans to build in Maharashtra state in partnership with Becbtel and General Electric.

But negotiating the other counter-guaranteed projects is proving tougher and Mr Vasuderan says his ministry is considering a range of possible alternatives – not least since such guarantees open the central government to potentially huge contingent liabilities. Options include opening escrow accounts into wbich consumers would pay directly and on whicb the power contractor would have first charge, or baving contractors sign supply agreements with Power Grid, the new national transmission and distribution authority, which would then enter its own supply deals with states able to pay for the new power.

Eventually, however, as Mr Vasuderan concedes, the solution will require a wholesale overhaul of the existing SEB structures and practices to achieve economic tariff rates. The state governments are in the early stages of what is likely to prove a lengthy discussion of such reforms.

The picture in the telecommunications sector is less encouraging, however. The government's first step was to issue cellular system licences for India's four biggest cities more than two years ago. But a series of court challenges by losing companies delayed the final award until last autumn.

Then, in January, eight months after the announcement of a national telecommunications policy, the government finally announced tender rules for provision of basic and cellular telephone services in 20 regional "circles" which will cover the country.

Bids are due by the end of this month and while the guidelines will not permit foreign investors to hold more than 49 per cent equity in a bidding company, the rules effectively require foreign participation by requiring bidders have the minimum experience of operating a telecoms network of 500,000 lines or three years' experience of operating a cell network of 100,000 lines. No private Indian investor has such experience.

The scale of tbe market opportunity has excited interest from telecommunications market leaders including Fujitsu of Japan, AT&T, Sprint, Motorola, all but one of the regional Bell companies of the US, Britisb Telecom, Alcatel and others. Reliance Industries, the Indian company, said it was chased by 18 foreign suitors to create a telecommunications joint venture.

Notwithstanding the interest, scarcely anyone seems happy with the tendering process. "It is a mess," says Mr Tarun Das, cbairman of the Confederation of Indian Industries. "Eacb investor has to negotiate separately, whicb means everything is ad hoc, whicb means differentiation, discrimination and delay."

He and others say that once the guidelines were issued, too tight a deadline was given for the proper preparation of bids, or for anything other than a hurried scramble for companies to create the required foreign joint ventures. Moreover, despita the delays in formulating the telecoms guidelines, Investors say tbe telecoms ministry has still not satisfactorily addressed sucb issues such as tariff rates, the regulatory and revenue relationship between new investors and the pnblic telecoms networks, or questions of interconnectivity between private contractors' prospective systems and tha inefficient and limited capacit state networks.

In transport, meanwhile, government policy towards private investment is still seen as embryonic at best. "The sector is at least three years behind power in terms of articulated policy," says the regional head of one hig European civil engineering company. Prospective Investors believe not enough government study bas been put into issues such as land purchase rights for private investors, whether land adjacent to private roads will be mada available for private development by contractors or how long-term finance can be made available for the Build Owner Operate Transfer road schemes the government is seeking to encourage and which, they say, will require term finance covering periods of 20 or 30 years.

Such long-term money is not currently available in India. This goes to the heart of a central difficulty the country faces in turning its infrastructural ambitions into power, telephone lines and roads: finance.

The prohlem is complex. At one level, as already seen, it means introducing and enforcing tariff rates in power and telecommunications which will offer calculable returns for investors. In transport, it will mean introdncing, and sensitively pricing, tolls in one of the world's poorest countries.

But there are also structural problems in India which investors in all core infrastructural sectors believe must also be urgently addressed.

Mr Anil Ambani, managing director of Reliance Industries, identifies two central constraints. One is the present lack of long-term debt availahle domestically. "If you want to build a road and need 20-year debt, there's really no way you can do it. The longest term available is seven-year debt, and you can't begin building infrastructure on seven-year debt." At present, Indian companies also face stiff caps on foreign borrowing. "The government bas to decide what debt profile it wants, and who has priority." Officials in New Delhi are aware of the problems. Only last month, the finance ministry altered the guidelines for foreign commercial borrowing to favour longer-term debt, thus favouring infrastructure projects.

Meanwhile, a 15-strong team of experts drawn from government and the Indian private sector is preparing recommendations for the finance ministry on how to ease the structural impedimants to infrastructure finance.

Mr Rakesh Mohan, its chairman, says the panel is addressing everything from tariff structures to foreign deht ceilings. Creating local sources of longer term lending will also be a particular focus, he says. "The lack of a secondary debt market here is a key constraint, and we will make certain recommendations as to what should be done to activate it."

■ **Fund profile:** INDOCEAN VENTURE ADVISORS

The pioneering spirit

It seems appropriate that one of India's best-known business and financial pioneers should be forging ahead with one of the country's first venture capital funds. And it only adds piquancy that he should be doing so in tandem with Mr George Soros, one of the world's highest profile speculators.

The pioneer in question is the quickfire Mr Pradip Shah, the 41-year-old chairman of Indocean Venture Advisors, who is best known in India for his former guise as managing director of Crisil (Credit Rating Information Services India Limited), India's first credit rating agency.

Crisil was set up in 1988 when the country's public sector banks began to challenge UTI's monopoly in the mutual funds industry. By the time Mr Shah departed in September last year, three other ratings groups had arisen in Crisil's wake, with a fourth expected to join the ranks later this year.

With the Indocean fund, Mr Shah is launching into almost equally virgin, and possibly promising, Indian financial territory: venture capital. The Indoceam fund – so named for its investors' eventual ambitions to spread its span beyond India into the littoral states of the Indian Ocean – was set up at tha start of this year with $20m of Mr Soros' money, one of a handful Indian interests by the Hungarian investor, and an additional $15m from Chemical Venture Partners, the venture capital arm of Chemical Bank of the US.

Indocean, says Mr Shah, will be a long-term, growth-oriented fund which will consider anything from turning around sick companies to greenfield projects. "We're not looking for returns from any sort of financial juggling, they must coma from growth – we must see real assets being created," he says.

It is a 10-year fund with an option to extend by a further three. But Mr Shah says the partners have also agreed that even at its extended term there will be no requirement to liquidate its equity holdings, which can instead be distributed among them.

Mr Shah says he began receiving overtures from Mr Soros as long as four years ago, and it is clear in the number of investments to which Indocean has already committed capital that his contacts and experience in rating more than 900 Indian groups while at Crisil has given him a distinctive inside track on where venture opportunities lie.

Without naming the companies concerned, Mr Shah says Indocean has already committed funds to a sick company which be says could be revived to produce a total asset value worth around $170m. Two greenfield projects have followed, one to create an export-oriented castings company, another a specialty chemicals company – both introducing international know-how and importing technology new to India, be says.

There have also been early investments in an agribusiness project and one in a pharmaceuticals company that Mr Shah says could become ona of the world'a top 10 producers of a certain medical product. He says Indocean is also looking at a three star hotel project.

A couple of months in, and Indocean already shows no signs of lacking hreadth. "It's all based so far on my earlier contacts and knowledge of the market," says Mr Shah. Give it a year or two and the fund may also not lack competitors.

Mark Nicholson

INVESTING IN INDIA 4

New issues leave the stock market gasping, says **Mark Nicholson**

Blast-off in Bombay

The recent story of Bombay's stock exchange, by far India's biggest, has been a bemusing tale of two markets.

The secondary market, with a present market capitalisation of around $130bn, began 1995 in highly bearish mood, with the 30-share BSE Sensex scraping a year's low of 3233 in late February, more than 30 per cent down on a three-year high of 4643 reached just last September.

The primary market, meanwhile, has been posting altogether contrary sorts of records. February saw an unprecedented total of 200 new issues, raising just under $1bn, beating the previous record, set this January, of 147 new issues.

The Bombay market has recorded an astonishing average of around 80 new issues a month for more than e year, raising an estimated $10bn in 1994.

Brokers see many reasons for this peculiar mismatch in sentiments towards the primary and secondary markets. Chief among them is a long tradition of highly appetising pricing for new issues which appears to have tempted retail and institutional investors to offload aecondary market shares to buy into the more profitable, and heavily stagged, new issues.

The effect has been further to depress a secondary market which has been pushed lower in the past four months by a series of other domestic and international factors.

Many brokers believe this contrast in sentiment cannot last – there were already reports by late February that subscriptions for new lssnes ware declining and signs of issues being pitched nearer what one broker called "real market value pricing".

Bnt if there are signs of the primary market losing some of its recent extraordinary recent vigour, brokers and foreign institutional investors see few signs of much emerging bullishness on the secondary market.

For ona thing, with Indian businessman apparently not sated in their desire for new equity capital, the sheer overhang of new and prospective scrip is likely to depress prices for the early part of the year at least.

"Any rally in the secondary market will immediately be dampened by issues in the primary market," says Mr Shripal Morakhia, director of SSKI Securities in Bombay.

There are other bearish factors. One is the political uncertainty created by the current poor showing of the ruling, and reform-leading, Congress (I) party, which lost power in key southern Indian states in November elections and looked set to perform poorly in the economically vital states of Gujarat and Maharashtra, which went to the polls last month.

Such electoral setbacks have persuaded large parts of the market that no aubstantial new push for further liberalising reforms is now likely until after the next Union elections, due in 1996.

The "Mexico effect" and rises in US interests late last year are also seen as having muted the appetite of Foreign Institutional Investors, which had brought $3.1bn into India's stock markets by mid-February.

Certainly, net FII investments slumped from a peak of $394 in January 1994 to $10m and $15m in November and December last year.

Net FII inflows have risen since, to $48m in January and $42m up to February 18. But bottlenecks in custodial services for FIIs (described elsewhere in this survey) and the fact that many foreign players have now invested the India funds announced last year suggest FII inflows will remain constrained for much of 1995.

The sums invested by FIIs, which perhaps acconnt for $7bn of market capitalisation are, say brokers, often less important to sentiment than the investment lead they set the market.

"Local brokers have recently tended to line up and watch what the likes of Morgan Stanley do," says one local hroker.

For most brokers, however, the single biggest cap on market activity is seen as a crisis in liquidity since the Securities and Exchange Board of India, the market regulator, banned the loosely-regulated carry-forward system known as badla in April last year.

Volumes have since shrunk to a fifth of pre-ban levels, with brokers claiming that losing the ability to roll over, or even extend positions without the need always for physical delivery of shares has stripped the market of vital speculative liquidity.

Mr D R Mehta, Sebi's new chairman, created a three-man committee to discuss immediate possible solutions to the liquidity problem, a move which immediately rallied a market which read the move as the prelude to some form of re-introduced badla. The committee's recommendations are due this month.

Whether or not Mr Mehta's committee can find a liquidity and confidence-boosting solution to the present bearish trend, however, there appears a market consensus that prices may remain little above present levels for several months. This, though, suggests to analysts that, with reported corporate profits nonetheless buoyant, values have only improved on a market they see as underpinned by excellent economic fundamentals.

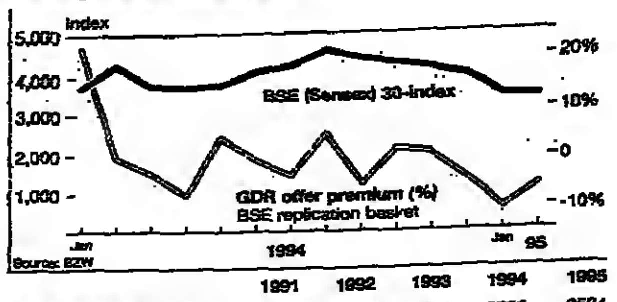
"In 40 years of working experience, I've never seen the fundamentals as strong as you see today," says Mr N Vaghul, chairman of ICICI, the Bombay-based financial services group. He reels off a string of data including probable GNP growth in 1994 of 5.6 per cent, industrial production averaging growth rates of 10 per cent, exports rising by 15 per cent in dollar terms and buoyant corporate profits.

Mr Vaghul'a views find echoes. Analysts with both Crosby, the Hong Kong-based securities group, and SSKI foresee compounded growth in average earnings per share on the BSE of 30-35 per cent for the next two years. Mr V V Sivakumar, research manager at Crosby in Bombay, says the market is presently trading at an average prospective price/earnings ratio of 17 – a figure he says was previously matched only in 1989-90, before the government began its raft of liberalising reforms and with them catalysed the Indian stock boom of the past three years.

"There's heen a change in price, not of value," says the chairman of one of the most active FIIs in Bombay. "One must keep an eye on inflation and the political situation, but by all other measures, this remains a very attractive market."

GDRs slow down – Page 7

Bombay Stock Exchange



	1991	1992	1993	1994	1995
Market capitalisation (Rs bn)	753	3059	1881	3680	3524
Average daily turnover (Rs bn)	1.89	3.32	2.38	3.84	1.41
Number of listed companies	2471	2601	2861	3585	4495
	March				January

Source: Bombay Stock Exchange

Mark Nicholson and **Alexander Nicoll** enter the regulatory maze

First, take an aspirin

Foreign individuals cannot invest directly in Indian stock markets. They can participate only through the growing number of institutions approved by the authorities.

Given some of the travails faced hy some of the 296 foreign institutional investors (FIIs) presently registered, individual investors may consider the bar on them to be a blessing.

FIIs are free to invest in all primary and secondary securities sobject to certain caps, and can repatriate capital gains and dividends subject to taxes. The caps are that no FII can hold more than a 5 per cent stake in any group and total boldings by FIIs in a company cannot exceed 24 per cent. This mncb is straightforward. However, as the few FIIs truly active in Bombay – around 20 – have fonnd to their cost, the practicalities of dealing in a market which is only two years into a complex modernisation have posed expensive beadaches.

India's 23 stock exchanges are struggling to transform tbemselves from a clnbby, opaqne, paper-based business catering to millions of small investors into a more regulated, transparent, scripless market in which institutions – especially mutual funds – are playing an ever-greater role.

Tha first difficulty facing share purchasers is settlement. Brokers on the Bombay Stock Exchange, until some practices were hanned recently, were more accustomed to rolling over trades into the next settlement period than to making actual deliveries of shares.

Under the stimulus of regulatory changes and competition from the antomated National Stock Exchange, the BSE is now scrambling to revamp its antiquated settlement procedure.

The next problem is the size of share certificate denominations, which are generally in lots of 10 or 50 ahares. For commonly-sized FII tickets of $150,000 or so, this means purchasing thousands of individual share certificates, each of which must be accompanied by a transfer deed, which must in each case be stamped, signed and pbysically delivered with the shares to company registrars for the transfer of ownership to be registered.

Each FII must appoint a custodian to accomplish aettlements and transfers, a service cornered in the first flush of India's opening to foreign investors by a small number of large foreign banks, notably Citibank and Hongkong & Shanghai Banking Corporation.

> Straightforward settlements have been taking a minimum of 20 or 25 days

Sboulder-deep in paper, stretcbed to the limit and wryly resigned, the back office staff of such banks are today somewhat reflective about the wisdom of entering this fray.

At the beight of FII activity, between November 1993 and January 1994 wben newly-launched India funds were placing their investments, daily market turnover up to $200m a day was placing unsustainable demands on the sheer counting and processing of paper. "It was at this point that the custody infrastructure hroke down," says Mr James Hogan, custodian services manager at Hongkong Bank. "At this point we had to say to our clients, hands in the air: no more!"

Even now, the leading custodians are permitting the opening of new accounts bighly selectively.

Simply counting and storing tbe sbare paper is problem enongh. Hongkong Bank, which handles 65 per cent of FII custodian services, bas 6.5m share certificates in its vaults, worth $1.4bn. "That's just over two and a half thousand sqnare feet. A pretty impressive area of paper, wall to wall," says Mr Hogan.

Straightforward settlements have been taking a minimum 20 or 25 days. Hongkong Bank's initial back office staff of 12 has swelled to 185 and the bank is about to shell ont $4m on an IBM compnter just to keep tbe share-by-share, transaction-by-transaction records which Indian law states must be kept for at least four years.

Many trades prove far from simple, and tbe cnmbersome registration process bas, in particular, caused monumental problems. Every transaction requires sending the physical shares for registration by conrier to company registrars. Indian law stipulates this should take 60 days to complete. The present average for FIIs is, say custodian officers, nearer four and a half months – and it can take mnch longer.

If registrars discover problems with sellers' signatures on any transfer deeds, as they appear to do with regularity, a longer and more exasperating process commences.

Just a few deeds with questioned signatures will bold up an entire transaction. These must be returned by the registrar to the custodian, who must then have tbe seller's broker come up with acceptable alternatives.

"Most brokers either can't afford it, have no other shares, can't give collateral or won't accept the shares back. At that point the FII is high and dry," says one custodian officer. "If yon're lucky, with 12-14 calendar months, the FII will succeed in having those shares it has long since paid for registered and in its own name." Hongkong Bank has a staggering $18m worth of transactions in unresolved limbo, a total of 3,158 ontstanding registration "snags". "I'd say that every FII bas roughly 15-20 per cent of its portfolio in trouble," says one back office staffer.

No-one, from the Securities and Exchange Board of India, the market regulator, down, disputes that this is a fundamental structural flaw which must urgently be solved. But there are no signs of a quick fix. Enabling legialation to establish a share depository lies before parliament. But if and wben it is eventually approved, creating a depository will require each individual share holder agreeing to cede physical possession of his valuable shares – a time consuming process which will meet strong cultural resistance from the bundreds of thousands of small shareholders who remain the mainstay of India's market: that is even if market players can resolve present disagreements on how a depository should be organised.

> Attempts have been made to introduce jumbo certificates of about 1,000 shares each

Attempts bave been made, meanwhile, to introdnce jumbo certificates of denominations of around 1,000 shares eacb. Convenient as these might prove at first, however, institutions have found that when they wish to sell such shares they encounter delaying resistance from issuing companies to break them into smaller lots. Any invitation to do so, companies realise, heralds potentially large and price-depressing sale of their stock.

Listed companies themselves are proving a serious barrier to stock market reform. They are legally entitled to refuse to recognise the transfer of ownership of shares, and can also put off transfers indefinitely through the registrars' delaying tactics. Present law enables managements to control companies through a relatively small shareholding, and they are likely to oppose legislation now under consideration which would remove some obstacles to takeovers.

Then there is the question of tax. Fnngibility of sbare trades is not a concept embraced hy Indian law, so assessment of capital gains tax (30 per cent for holdings of under a year, 10 per cent for more) mnst be made against an exactly dated share-by-share record of every single transaction. This alone, suggests Mr Hogan, has proven a considerable deterrent to realisation of profits. "Less than 10 per cent of total sales have been repatriated," he says.

Hongkong Bank and others bave made representations both to Sebi and the Finance Ministry, lobbying to streamline tax procedures. In the meantime, FIIs are hiring tax consultants. Foreign funds have also found a loophole by regiatering in Manritins, which has a tax treaty with India enabling them to escape capital gains tax.

The archaic market practices are widely said to be deterring mncb new foreign investment. But they are by no means an absolute deterrent. FII investments fell to a relative trickle in November and December from their highs some few months earlier, but bave picked up in the two months since.

Moreover, more banks are understood to be about to offer custodial services to FIIs. And Sebi confirms that yet more FIIs are lining up, waiting for approval to enter the Indian market. Bnt with 23 stock exchanges, more than 8,000 listed companies, a population of almost 900m inclnding a middle class of perhaps 150m and a shareholder base of upwards of 20m, $10bn raised through primary issues domestically last year alone, and a brisk wind of lliberalising change apparently sweeping from Kerala to West Bengal, India's peculiar stock market paper cbase nevertheless retains understandable appeal.

Bombay stock exchange: the clubby old days are fast receding Picture: Tony Andrews

■ SECURITIES AND EXCHANGE BOARD OF INDIA

Two busy years of regulatory power

The Securities and Exchange Board of India has come a long way in the brief two and a half years since it was given statutory powers to regulate and develop India's capital markets. It had little option.

The past two years have seen unparalleled expansion and change in the 130-year-old history of Indian stock markets. A primary market which a couple of years ago was raising around $1bn in new issues annually, last year raised an estimated $10bn, with optimists forecasting a similar sum for 1995.

Foreign Institutional Investors (FIIs) began arriving in 1992 for the first time and have since invested a net $3.1bn into Indian equities. By February, Sebi had registered 296 foreign players in India, and said more were applying. There are today 22 mutual funds on a market where a few years ago there was but one.

India's 23 stock exchanges, of which the Bombay bourse is by far the biggest, are thus in the midst of an unprecedented and hugely complex shift from their clubby, opaque and paper-laden retail markets towards an increasingly centralised, institutional, automated and transparent capital exchange. Or, at least, that is the clear ambition being set by Sebi's 160 Bombay-based regulatory officers.

In outline, Mr D R Mehta, Sebi's new chairman since the untimely death in January of Mr S S Nadkarni, puts the task simply. "The basic mission is of investor protection and proper development of the market; one is a regulatory role, the other a pro-active role," says the former deputy governor of the Reserve Bank of India, the central bank. "We will prescribe the broad regulations and monitor those, without getting involved in the individual cases. This is the objective."

In detail, however, Sebi's job is proving a highly delicate task of righting a raft of entrenched and often antiquated practices – often attacking vasted interests among established market intermediaries – while seeking to set up norms and rules for new investment products, instruments and practices presently as unfamiliar to the youthful Sebi as to the market itself.

Much has already been achieved since Sebi won its statutory mandate in 1992, and with it centralised duties variously undertaken by the stock exchanges, the finance ministry, the department of company affairs and the now defunct controller of capital issues.

Sebi has deregulated controls on the pricing of new issues, created new disclosure norms and installed vetting procedures for issue prospectuses. It has restructured the managements of stock exchanges to remove previous broker majorities. Codes of conduct have been issued for all market intermediaries. New grievance procedures have been introduced – under which complaints rose six-fold to 584,662 in 1993-94 from two years earlier and the redressal rate to 58 per cent from 22 per cent in the same period. The board has ordained that brokers remove their previous fudge between their own and their client's funds.

A recent ordinance, meanwhile, expanded Sebi's armoury of sanctions, granting it authority to fine intermediaries for breach of disclosure and other rules, usefully adding to its existing ability to suspend malfeasant market players. According to Mr Pratip Kar, executive director, the spectrum of regulations governing mutual funds is also being reviewed. "We want to bring greater uniformity to their accounting standards and make them disclose prices and values on a daily basis," he says.

Sebi simultaneously won powers for the first time to sanction company registrars for failure to comply strictly with share transfer regulations. Delays and problems in company processing of share certificates, which remain generally in small denominations and must each be accompanied by stamped and signed transfer deeds, has proved the single biggest logjam for foreign institutional investors. "If the transfer mechanism could be simplified, the majority of investors' grievances could be catered for," says Mr Mehti.

"We have established certain norms in the market and made clear what we expect of intermediaries," says Mr C B Bhave, senior executive director. "We need to strengthen the self-regulatory nature of the market – it's been operating without proper regulation for too long."

But Sebi'a regulatory advances have not been without controversy or opposition. And nothing the board has done achieved more hostility from brokers than its ban early last year on badla, the loosely regulated forward trading mechanism which permitted brokers to carry forward or expand positions without physical transfer of shares. Volumes on the Bombay Stock Exchange have dipped to a fifth of pre-ban levels in recent months, fuelling brokers' complaints that the badla ban, and the lack of anything to replace it, has ruined market liquidity.

Sebi said the badla system was too opaque and allowed considerable price manipulation by big market players. Brokers claimed its removal stripped them of their chief speculative means, and so deprived the market of liquidity that many claim the ban to be a leading reason for the BSE's bearish last few months.

But by late February, with the arrival of Mr Mehti, there were signs this controversy might be easing. On his first day, the new chairman appointed a three-man committee to consider market liquidity and the badla issue – a move to which the BSE responded with an immediate 220 point rise in two days after having previously sunk to a year's low. The committee's report is due early this month.

Whatever the committee recommends will almost certainly seek both to dispose of the badla controversy while also creating a more formalised framework for the eventual evolution of a fully-fledged futures market.

Sebi's recent ordinance laid one foundation stone by lifting a prohibition on options trading. And in such areas, too, lie Sebi's futures. Next will be the development of a share depository, laws for which already await parliamentary approval. Also, the shift from the present open-cry trading to the BSE's new on-screen trading (a move already being pioneered by the competing National Stock Exchange's automated system). There is the creatioo of a regulatory framework for India's embryonic debt market to come, and the eventual development of a derivatives markat. The board has also to embark on strengthening its monitoring capacity, which many market players believe to be wholly inadequate.

But while Sebi's workload will necessarily expand, the board itself has no plans to do so. "We don't see Sebi growing fast," says Mr Bhave. "We'll take it cautiously."

A bigger problem, perhaps, will be keeping its present officers, drawn from mutual funds, merchant banks and government institutions, from becoming gamekeepers turned poachers while financial market salaries soar to quite un-Indian, and un-civil servant, levels. "Salaries won't stay at the heights they've shot to," says Mr Bhave. "But there's no doubt, this is a real issue."

Mark Nicholson

■ **Case study:** PROCTER & GAMBLE

Change of formula

Global consumer goods companies are catching on to the long term potential of the Indian market. Reforms have opened the door to a middle class population of 150m who are able to buy branded products. Though imports of consumer goods are not allowed, foreign companies can set up fully owned subsidiaries.

Earlier foreign equity ownership was restricted to 40 per cent under the Foreign Exchange Regulation Act (FERA). Multinational companies that were operating in India under the old restraints have increased their equity holdings to 51 per cent or more in their Indian subsidiaries. Following this fresh dose of investment, companies are bringing in their proprietary technologies and brands to India.

Taking advantage of this new-found freedom, Procter & Gamble moved speedily to restructure its business operations. "We're very bullish on our Indian business; it's no longer just a memo item on our global books," says Mr David Thomas, chairman and managing director, Procter & Gamble India. Tha policy changes of 1991, he adds, gave Procter the signal that it must adopt a new formula in India.

As a first step, it took majority control of P&G India in 1992 increasing its stake to 65 per cent. The preferential allotment of shares to the American parent company was done in two stages at a premium close to market price.

It cost $30m, making Procter the single largest foreign investor in that year. Until the equity enhancement, the company was not keen on launching its big brands in India. Now it is more than ready to do so.

Consequently Camay soap, once considered a luxury item, is now available in stores across the country at an affordable price.

P&G owes its presence in India to its acquisition of Richardson Vicks in the mid 1980s. The Indian company, established in 1966, was formerly known as Richardson Hindustan.

Sales were derived mainly from over the counter, healthcare products, such as the popular Vicks range of medicaments for colds and coughs.

Belying market expectations, P&G did not plunge headlong into the soaps and detergents business, moving slowly in expanding the product portfolio. It was constrained by both its minority equity holding and the formidable market presence of Unilever which had been selling soaps and detergents in India since 1932. There were also local manufacturers with their strong, domestic brands.

Mr Thomas, who took charge of his present assignment in September 1992, realised that the only way for Procter to overcome this entry barrier was to enter a strategic alliance with a local company. In April 1993, Procter spent Rs510m to purchase two detergent brands from Godrej Soaps, a privately owned company in Bombay and to set up a 51 per cent owned joint venture. Procter & Gamble Godrej markets and distributes products of both companies.

Freer import rules have spurred global consumer groups to target India's 150m strong middle class

Mr Thomas says that the alliance gave them several benefits. It provided an overnight entry into the largest soap market outside the US. Indians buy 4.5m tonnes of soap a year and Godrej's brands had 8 per cent of the market. Procter got access to Godrej's manufacturing facilities and its technology for making soaps from vegetable oils since tallow is banned in India. Most important, with the companies agreeing to merge their sales teams, Procter was instantly plugged into a powerful sales and distribution network.

Close on the heels of the Procter-Godrej alliance, Unilever company Hindustan Lever acquired the business of the Tata Oil Mills Company (Tomco), a soaps and detergent company belonging to the Tata group. By buying up local competition, the two multinationals have emerged as the main players in the market. Procter has a lot of catching up to do with Unilever which has been vigorously defending its market leadership.

Procter's first foray into the detergents market was not successful. Its premium powder Ariel was too high priced for Indian consumers. Advertising had built brand awareness but could not generate enough sales causing losses to mount in P&G India to Rs280m.

The group established a 100 per cent subsidiary – Procter & Gamble Home Products – in September 1993, as a vehicle through which it could concentrate on building new businesses.

The loss-making laundry business of P&G India was transferred to this company which is capitalised at Rs210m. Corporate restructuring and increased sales enabled P&G India to turn in a profit of Rs156m last year.

According to Mr Thomas, having three corporate vehicles gives infinite flexibility in managing competitive businesses in this complex country. He expects cumulative sales to be Rs6bn this year. "Now that we're structurally organised, we are charging ahead," he says.

Several new products have been launched. Having burnt its fingers with Ariel, Procter is pursuing a value-for-money pricing strategy recognising that the mass market is dominated by low priced products. Cheaper versions of Ariel powder have been introduced. In keeping with Indian laundry habits, Ariel is also available as a detergent soapcake. Camay has been launched in two versions, premium and economy. Mr Thomas says Procter is committed to a long haul.

Naazneen Karmali

Busy days are here again: a building worker has a shave at a Delhi construction site Picture: Tony Andrews

■ THE AWAKENING OF AMERICA

Stampede to a new frontier

An office buried in the US Commerce Department is the command centre of the Clinton Administration's export promotion drive. The "advocacy centre" tracks daily the progress of US companies as they pursue joint ventures and procurement contracts around the globe.

This programme has become a concern to US competitors, and for good reason. It represents the US in attack mode, as intense and focused as in the Gulf War. The generals are cabinet officers and undersecretaries, dedicated to the notion that US national security can only be achieved with economic security, which rests on the capture of new markets for US companies.

The generals are not shy about asking foreign governments for business. Sometimes they give that task to President Bill Clinton, who personally helped to sell Boeing aircraft to Saudi Arabia.

One of the key battlegrounds is India – privatising, opening to foreign investment. Its potential market is almost as large as China's, and its democratic institutions and legal system, provide a welcome contrast with its communist neighbour.

The latest US cabinet member to visit was Mrs Hazel O'Leary, who last month advanced the growing US influence over China's energy development. Twenty-three memorandums of understanding were signed for renewable energy projects totalling about $1.4bn.

Among them was an ambitious undertaking by EFH Coal Co. of Pennsylvania and India's Mokul International Pvt. Ltd. to build a 100 Megawatt electric facility using solar and coal; processing facilities which would use the byproducts to produce fertiliser and building materials; a wastewater treatment plant; and, using waste heat, greenhouses and a fish farm.

Last year, on Mrs O'Leary's first trip to India, US companies were awarded the preferred provider status on seven of eight large "fast track" power projects. Wheo Mr Roo Brown, the US commerce secretary, visited in January, contracts were signed on the first two: the 2,000 MW Dahbol power station being developed by Enron Corporation and the 420 MW power plant at Ib Valley in Orissa.

All this activity has yet to expand US-Indian trade figures. Indeed, US exports last year were running behind the previous year – $2.1bn for the first 11 months of the year. Indian exports to the US, bowever, had risen over the same period from $4.2bn to $4.9bn.

This leaves US officials unfazed. They are looking at the long term. Strategic planning in tbe government-business partnership constructed by Ron Brown, tbe US Commerce Secretary, bas become the order of the day.

While Commerce officials trumpeted the signing of $7bn in deals during Mr Brown's first visit to India in January, the strategic gains were even more significant. Sectors targeted by Commerce for special attention did well: power generation, information technology, transportation, environmental technology, financial services, and health care technology.

Besides the "fast track" projects, Mission Energy and Tata Iron and Steel company signed a $400m agreement to build a 300 MW power station in Bihar. Cogentrix Energy and several US and Indian companies agreed to construct a facility to put flyash from Indian coal to productive use.

Six breakthrough telecommunications deals were done, including the signing by Mortorla of three letters of intent to build cellular telephone networks in Calcutta. Integrated Health Services and Indian Hospital Corporation agreed to establish India's first health maintenance organisation. American International Group and the Tata Group signed a memorandum of understanding about jointly entering the India market in the fields of insurance and financial services.

The 26 CEOs who accompanied Mr Brown were all exuberant about the possibilities in India. Mr Frank Savage, chairman of Alliance Capital Management, which manages a $175m India Liberalisation Fund, launched an Indian rupee mutual fund. "The size of the country gives us the critical mass we need," he said. There have been complaints that tha deals announced by visiting dignitaries are "pre-cooked". This is readily acknowledged by Commerce officials, who see the trips as action-forcing events.

"Surrounding virtually all these projects is a process which is chaotic," said a senior US official. "It is a rare occurrence that there is not some struggle among the ministries and some struggle in the Indian political system about whether or not foreign firms are getting preferences over Indian firms. Many times firms think they have won things and they have not, or think they are operating under a set of rules and the rules change and they don't even know it."

Before Mr Brown's trip, Commerce had a list of 50 projects to push; the list was pared down after consultation with Mr Frank Wisner, the US ambassador to India. There were also extensive consultations with the companies. Each was assigned "a godfather" in the advocacy centre as a point of contact.

There will be follow-up work by Mr Wisner and other visiting US officials – Mr Kenneth Brody, chairman of the US Export-Import Bank, Mrs Ruth Harkin, president of the Overseas Development Corporation, and others – to push each project to conclusion.

More important, perhaps, than the individual projects, was agreement to establish an Indo-US Trade Alliance, to be headed by the US commerce secretary and the Indian commerce minister, Pranab Mukherji. US officials plan to hold commission meetings in cities around the US with the intention of creating links between small and medium-sized US and Indian businesses.

Each trade mission taken by Mr Brown includes CEOs of small and minority-owned companies. Mr Richard Gilmore of GIC Trade, Inc., a small agribusiness consulting firm, signed seven joint venture agreements during the five day trip. One is to set up a sugar refinery, another to establish terminal wholesale markets in East India and help develop new agricultural biotechnology products, a third to provide financing and feasibility analysis for a large food processing complex.

The trip gave him access to business and government leaders he never would otherwise have had. "Some of these companies had their deals prepared, but I didn't," said Mr Gilmore. "My sense is that the timing is propitious, that everyone is joining the bandwagon for US Indian trade. Everyone is coming out of the closet."

Nancy Dunne

■ BUSINESS TOURISM

The delegations pour in from round the world

ALEXANDER NICOLL measures world interest in investing in India

The outbreak of diseases in parts of India last September aroused fears that visitors might drop India from their schedules. Tourists may have been put off, but foreign business was not. An extraordinary number of high-level trade missions and top company executives have trooped through.

The delegation led by Mr Ron Brown, the US commerce secretary, was by far the most prominent and the best stage-managed.

Never have so many US cabinet members and other top officials visited India in such a short time. Mrs Hazel O'Leary, energy secretary, has been twice since July. Last month, the governor of Massachusetts was to be seen being ritually garlanded and photographed as ba arrived in his Bombay hotel.

The flurry, which followed the visit of Mr P.V. Narasimha Rao, the prime minister, to the US last year, is particnlarly remarkable giveo the receot poor relations between Wasbington and New Delhi.

The attention lavisbed on the US might cause some chagrin for countries which were quicker to identify the potential of a reforming India, such as Britain. The Indo-Britisb Partnership, oow in its third year, has helped to foster a sharp increase io trade and in new investment – Britain, as a result of its former status as the colonial power, remains the biggest overall investor in India with over £2bn.

Mr Michael Heseltine, trade and industry secretary, last month visited an engineering trade fair in Delhi at which British firms were exhibiting. Mr Douglas Hurd, foreign secretary, addressed Indian industrialists in Calcutta in January. Mr Richard Needham, minister for trade, has come twice in recent months, including a mission in which be led British executives through the four major cities on a Concorde aircraft.

Indo-Britisb trade expanded by over 20 per cent in 1993 and oearly as mnch again in 1994 to around £2.6 billion, with the increase seen in both directions and trade roughly in balance. Britain is the second largest new investor in India after the US, with enargy, telecommunications and distilling companies prominent among the new entrants.

According to tba British High Commission, the number of expatriate businessmen living in India has more than doubled in the past year, and the number of business visitors has doubled since 1992. Abont 350 collaborations between British and Indian companies have been forged in the past two years.

Japan has kept a low profile in India, partly because its disorganisation and dirt – coupled witb tbe lack of acceptable food – make it a difficult country for the Japanese.

However, big Japanese business has been checking ont India's prospects in strength. In January came a senior delegation from the Keidanren, the leading business federation, following hard on the heels of 15 top government officials led by Mr Riutaro Hashimoto minister of international trade and industry, a regional mission from Kansai and a telecommunications delegation which included leaders such as NTT and Fujitsu.

Each of Japan's six top trading companies – Itochu, Marubeni, Mitsubishi, Mitsui, Nissho-Iwai and Sumitomo – have sent their chairman or president to India in the past few months.

Japan's car and electrical goods makers already have a significant presence in India – Maruti, the biggest car-maker, is half owned by Suzuki – but it is clear from statements made during the recent visits that the volume of investment and trade will rise sharply in future years.

Mr Masaya Miyoshi, the Keidanren president, said during his visit: "We might have been late but we wanted to be more convinced of the pace of reforms in India. Today it looks good, and as the reforms here get better we can hope to be the biggest investors in this country."

Among other countries to have sent large delegations recently are Canada, Australia, New Zealand and Switzerland – and this list is far from exhaustive. British Columbia, the Canadian province which has a large Asian population, sent a delegation led by a Sikh, who is its first minister of Indian origin.

Every day, the few five-star hotels in Delhi and Bombay are full, partly because chief executives of many multinational companies have been visiting to assess investment prospects first-hand. Many are new to India or are returning for the first time since travelling when young.

Foreign businessmen and ministers who lead delegations remain cautious about India's prospects. They are aware that some foreign companies have substantial interests in India and are building upon them, and that others are already taking the plunge for the first time.

But they cannot help being struck by the country's poor infrastructure and by the question marks hanging over the reform process. Most – especially companies without extensive experience in the developing world – will want to see more liberalisation and more assuredness about the supply of basic services before committing significant funds.

Nevertheless, international awareness of India's potential has increased significantly as a result of the past few months' hectic activity.

Peter Montagnon hears why profits have soared at Castrol India

Like greased lightning

Mr Ram Savoor, chief executive of Castrol India since 1990, has seen it all. A scientist who has spent 26 years with the company, previously as its technical director, he has known both the debilitating effects of indianisation when foreign brand names were banned, and the liberation that sprang from economic reform.

There is no doubt that last year's striking 59 per cent jump to the equivalent of £22m in the company's operating profit owed much to the effect of that reform on the lubricants sector.

Before 1992 Castrol was subject to a strict regime, says Mr Savoor. Raw materials, most of which had to be imported, were rationed ont by the government according to companies' share of the retail market. Market shares were thus frozen. Worse still, subsidies to state owned companies limited selling prices and the only prospect of higher sales volume came from the government's planned allowance for growth in the overall market.

In April, 1992, Castrol and other companies were allowed to import their own raw materials freely for the first time. This opened the door to competition but it also gave Castrol the chance to raise its own market share.

It has risen to the challenge. Market share has more than doubled to 14 per cent. Sales volume has climbed over 80 per cent to 123.6m litres in the last two years while sales value has nearly donbled to £113.7m from £58.5m.

Although he regards 1994 as an exceptional year, Mr Savoor remains optimistic about Castrol's ability to survive what he describes as "a virtual onslaught of world-class competition," as virtually all the leading global players are now returning to the Indian market. "I do not think we'll be able to achieve the [1994] growth level with sucb intense competition, but the momentum will be maintained," he says.

Part of Castrol's success derives from its traditional approach of concentrating on brand value and keeping its products at the top end of the market. This stood it in good stead before the de-regulation when its market share was rationed. Then the only way of boosting its profitability was to move up market.

Before de-regulation, says Mr Savoor, Castrol products sold at a premium of up to 70 per cent over the commodity products produced by the state sector companies. Now the premium has shrunk to between 10 and 15 per cent as commodity suppliers react to the loss of subsidy and try to move their own products up market.

So far, Castrol has managed to improve its selling margins but the risk remains that they will at some stage come under pressure. That makes volume growth important. The art is thus to add volume without going down market where margins are inevitably lower.

Mr Savoor points out that costs have risen in the wake of the reforms. Advertising spend is now 10 times what it was five years ago, he says. Castrol must now advertise in 17 different media slots to achieve the same coverage as it would have had with just two or three slots before. Nonetheless, he believes that the process of consolidation which must inevitably follow the first rush of excitement will not be too painful. "When the market finally matures, there will only be three or four major players," he says.

Castrol's chances of being in that group are strong, he says, because its long-standing presence in the market – it has been in India for 76 years – means it has a well-developed distribution network which new entrants lack. "We know the country like the back of our hand," says Mr Savoor. "When brands were not generally known, our brand was being positioned all the time."

Besides, the market is growing rapidly as India's large middle class becomes more affluent. Paradoxically the arrival of new companies in the market can help as it focuses yet more attention on brands. "People will look at the best quality product only," says Mr Savoor.

Castrol's Ram Savoor: liberation from the debilitating effects of indianisation

To meet that demand, Castrol is spending over £10m on a new plant near Bombay with a capacity of 150m litres. The plant is expected to be the group's second largest plant worldwide and will use state-of-the-art technology.

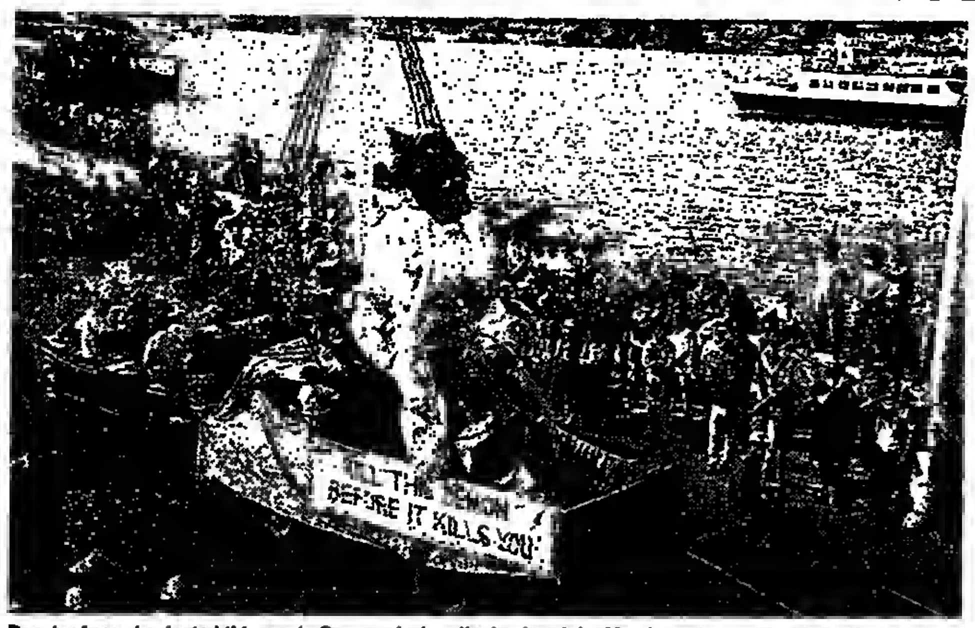
The other significant change brought about by the reforms is that Burmah Castrol, the UK parent, was able to rebuild its stake in the Indian company to 51 per cent from 40 per cent to which it was reduced during the period of indianisation.

While Burmah Castrol only owned a 40 per cent stake, it was only willing to supply what the Indian market was seen as requiring. Now Castrol India can tap the worldwide technology resources of the group. This enables the company to diversify into metal-working fluids, industrial products and marine business.

Mr Savoor says he is not particularly worried by suggestions that the reform process has slowed down. Reforms of the labour market, which some see as stalled, are not relevant to Castrol as it is not in the business of closing down old plants and laying off workers.

In the present climate it is difficult to conceive of India withdrawing Castrol'a right to import raw materials. Mr Savoor says he does sometimes worry that a foreign exchange crisis could eat into India's reserves and force new exchange market restrictions, but even that does not seem very likely.

That leaves him with the main task of building enough volume and market share to cover the rising costs of operation in a more competitive market. It is a mark of the progress made under India's reform that this is no more nor less than the challenge faced by scores of ordinary chief executives all over the world.



Popular fears dominated this year's Goa carnival on the banks of the Mandovi river Picture: Shiraz Sidhva

Du Pont project is stalled, reports Shiraz Sidhva

Go away, says Goa

When Thapar Du Pont, a joint venture between the US chemicals giant and the Delhi-based Thapar group, got government permission in 1987 to set up a $200m plastics plant in Goa, it was hailed as the largest US investment in years, a test case for the launch of economic reforms in India.

It was to bave produced heavy nylon cord in the Indian tyre industry, which at present relies on imports. However, two years after the project received final approval, it has been stalled indefinitely because of objections by local villagers and environmental bodies. In the last two months, opposition has been so violent that Thapar Du Pont representatives have been afraid to visit the site at Kerim village near Ponda.

The company is now considering establishing the plant in another state. It was due to come on stream by 1997, producing 18,500 tonnes a year of the cord, known as Nylon 6,6.

Environmentalista have opposed the plant since the beginning of the negotiations to locate it in Goa. They have since won the support of all the villagers, different political parties, and even the church in the area.

A gleaming granite memorial at the site marks the death of Nilesh Naik, a young student, killed on January 23 when police opened fire on villagers trying to prevented a busload of Du Pont executives from entering the site.

The objectors say that the plant would wreck the eco-system of their unspoilt plateau and threaten the traditional agrarian economy which supports more than 10,000 families. They accuse Thapar Du Pont of consistently misleading the government and the people and note that Du Pont of the US, which projects itself as an environment-conscious company, has found it necessary to indemnify itself against any claim by Thapar Du Pont or a third party in the event of an accident like the explosion at the Union Carbide plant at Bhopal in 1984, which left 25,00 dead and thousands maimed for life.

Mr Sam Singh, Thapar Du Pont's managing director, insists that the Kerim factory would be the "safest, cleanest nylon plant in the world". It had received all the necessary environment clearances and a community advisory committee had been set up, empowered to monitor the workings of the plant. "An accident like Bhopal cannot happen, it's downright imposaihle," he maintains.

Farmers are also worried, however, abont the plant's thirst for 5,000 cubic metres of water a day which would be raised through boreholes. They say this would lower the water table, on which the region depends for almost a dozen simultaneous cash-crops including arecanut, coconut, cashew, cinnamon and pepper.

Environmentalists were not mollified by the company's promise to stabilise water supplies by planting trees or by its boast that its water treatment plants would make its effluents even cleaner than the water it was using. "We are not fools, we have been planting trees for thousands of years, and we don't need Du Pont to tell us how to look after our lands," says Dr Dattaram Desai, chairman of the Anti-Nylon 6.6 Citizens' Committee and the region's only qualified medical practitioner.

Du Pont has no option left but to pack its bags and get out of here. Things have gone too far for the villagers to allow them in here," says.

Thapar Du Pont's Mr Singh, who is of Indian origin and has worked with Du Pont in the US for over 25 years, says the agitation is politically motivated, and instigated by a small "vocal" minority who are against change and development in Goa. "If environment was the only issue, we could sit at ths table and discuss it," he says. "But the fight has been brought on to the street, and one thing we cannot face is violence."

Mr Claude Alvares of the private Goa Foundation, which has campaigned against the plant over the last decade, says "Thapar Du Pont has lied through its teeth while acquiring the land, while seeking permissions, and presenting facts about the project to the people." His charge appears in a book, *Unwanted Guest*, published in 1991, which documents the fight of Goa, one of India's smallest states, against Du Pont America's largest chemicals multinational.

The book includes a report by a committee set up by the state legislature in 1990 to examine the environmental and economic impact, and the acquisition of land for the Nylon 6,6 project. The arguments supplied by Thapar Du Pont are based on Du Pont's experience of their Richmond plant in the US. "The report has concluded that Goa and Nylon 6,6 are incompatible," say Mr Alvares. "Either one must go away or the other must die."

The present Congress(I) government in Goa is headed by Mr Pratapsinh Rane, who during an earlier term as chief minister had supported the project, and is embarrassed by the agitation. "Last year, the state government arrested the top leadership of the anti-Nylon movement, using the Terrorist and Disruptive Activities Act," admits a senior bureaucrat. "Now, even Mr Rane concedes that the government can't reverse the decision of the people, and it is up to the company to convince them if the plant is to stay."

"We would like to be in Goa, but the consent to operate must be there," says Mr Sam Singh. "We have lost a lot of money in the delay, but we're committed to the project," he says. "We are grateful to the state governments who have invited us to relocate in their states, and will take a decision shortly."

Though Du Pont's experience in Goa has been unpleasant, the the company says it is pleased about its $4.5m joint venture with the Madras-based TVS group to manufacture, market and distribute produce Tynex bristles for premium toothbrushes in Madurai.

"It has been a favourable experience doing business in India with the TVS group," said Mr Kenneth Hostelley, president of Du Pont Far East, the company's Asian subsidiary. The company's problems in Goa were "part of the pains of being a pioneer" and "have not deterred in any way our future plans in India".

■ Foreign brokers: SMITH NEW COURT

Early bird catches worm

The foreign invasion of the Indian stockmarket began three years ago when international financial institutions were allowed to invest. Following this, big broking firms moved in and opened offices.

Foreign brokers have to be registered with the Stock Exchange Board of India, the market authority, though regulations do not permit them to trade directly on the stock exchanges. To overcome this, many have formed joint ventures with Indian brokers.

Securities house Smith New Court was among the first few to spot India as a potential broking market. In 1992, it appointed a representative in Bombay and entered into a technical agreement with SSKI, a local broking firm. It was planned that this would lead to a joint venture.

"We like to get into a market reasonably early, and preferably with a local partner", says Mr Clive Norton, Smith New Court's chief representative in India.

Securing this early lead paid off. Until March last year, Smith New Court's clients accounted for 40 per cent of the total foreign portfolio investment of $1.3bn in the secondary market. The firm, together with Jardine Fleming, another early settler, was considered a leading analyst of Indian equity stocks.

Unfortunately, the association with SSKI did not last very long. A disagreement on the ownership structure and management control of the proposed joint venture resulted in the two partners parting ways last July.

Smitb New Court had decided that it needed both majority ownership and management control to achieve the required level of comfort, according to Mr Norton. Stockmarket circles also suggested that SSKI's deal-oriented approach had made its foreign associate distinctly uncomfortable. Six months into his assignment, Mr Norton faced the task of starting afresh.

Around the same time, Hong Kong based-firm Peregrine Capital was confronting the similar, painful consequences of partnering in haste. Its tie-up with ITC Classic, the financial arm of tobacco company ITC Ltd, hed ended abruptly over the issue of management control and ownership.

These experiences made broking firms wiser and dictated the shape of their Indian ventures. Foreign brokers have opted for seeking the approval of the Foreign Investment Promotion Board for setting up companies in which they hold 51 per cent or more of the equity. Last month, Jardine Fleming became the first foreign broker to be given corporate membership of the BSE.

This structure gives the foreign brokerage house both maximum control as well as a domestic identity that is necessary for it to secure membership on the stock exchanges. Peregrine's solution was to launch a company in which it holds a 75 per cent stake, with the remaining equity shared among friendly Indian shareholders.

According to Mr Norton, Smith New Court has taken a different route by opting for an active Indian partner, rather than a passive one. It has recently signed a memorandum of understanding to purchase 51 per cent equity of IIT InvesTrust, a new style brokerage company in Bombay. IIT InvesTrust was set up two years ago as a joint venture between IIT, a 60 year old public company and a group of young banking professionals.

Mr Girisb Bhagat, who belongs to the latter group and is the managing director of InvesTrust, says that this is a win-win partnership. InvesTrust gains access to a large pool of international institutional investors and proven expertise in market making. This would be invaluable when domestic financial institutions are allowed to invest overseas. Indian brokers, be adds, who lack international links, are likely to be marginalised in the future.

Ths advantages to Smith New Court are manifold, says Mr Norton. "Investing in an existing business provides a strong base to build a domestic franchise. Having local staff and management minimises international management costs." Operating in India is not as cbeap as outsiders think. "Paying Bombay office costs and international salaries could make it an unviable operation," he says.

The new venture, which is yet to be named, will employ 100 people wbo are mostly locals. It has been agreed that the venture would adopt the Smith New Court culture, though it is proposed to be run by an executive committee consisting of representatives from both sides. It will be capitalised at $3m, and will operate as a full service stockbroking house that is strong on both research and execution.

In dne course, it will strengthen its other businesses, such as corporate finance, and will expand into corporate advisory services and issue management. With the investment banking expertise of N.M. Rothschild, Smith New Court's single largest shareholder, it would also like to handls international issues by government-owned companies.

Mr Norton is boping that Smith New Court's second attempt to take advantage of these market opportunities will be successful.

Naazneen Karmali

■ GLOBAL DEPOSITARY RECEIPTS

Comet burns out

CONNER MIDDELMANN asks why India's boom market for GDRs has suddenly evaporated

Indian companies last year were the most active issuers of global depositary receipts in the emerging markets, raising more than $3bn through the sale of GDRs on the international capital markets.

In recent months, however, supply has ground to a halt and observers say last year's bumper issuance is unlikely to see a repeat performance in 1995 (*see graph on page 4*).

"I am not particularly optimistic for the outlook of the GDR new-issue market," says Mr Jeff Chowdhry, fund manager at Foreign & Colonial Emerging Markets. "There's not much end-client demand in the current environment. Companies would like to do new issues, but I'd be astounded if we see more than one a month for the time being."

A GDR is a receipt, issued in registered form by a depository bank, representing ownership of shares held in custody in the equity issuer'a home market. GDRs and the underlying shares are usually fungible but trade independently.

A variety of factors has contributed to the decline in primary GDR activity: emerging-market jitters following the Mexican peso crisis; the poor performance of the underlying Indian stock market; political nerves ahead of regional elections in mid-March and fears that the 1995 budget, to be unveiled on March 15, might herald a slowdown in the economic reform process.

In addition, a structural shift is taking place, indicating that even if the problems listed above are resolved, GDR issuance is unlikely to spring back to life with the same vigour as last year.

"A lot of Indian companies are re-examining the rationale of going to the euromarket compared to raising money in the domestic market," says Mr Roddy Sale, head of international capital markets at Jardine Fleming in Bombay.

One deterrent against issuing euro-equity, he says, is that international equity offerings are regulated by a strict timetable imposed by the Indian finance ministry. This schedule requires that no more than three months may elapse between a company receiving an authorisation in principle for an issue and the authorities' final approval; after the receipt of the latter, the company has another three months to price the deal. While this timespan may seem generous at first sight, it makes no allowance for low investor receptiveness or lulls during market holidays.

"The timespan is often too short – issuera can be up against deadlines, pressured to do a deal by a certain date whether or not market conditions are propitious," says Mr Sale.

If an issuer fails to meet the deadline, permission for the transaction expires and it has to start the application process from scratch. An estimated 30 to 40 permissions have lapsed in recent weeks as companies abstained from launching deals into an uncertain market environment.

Another factor damping GDR issuance is that the pricing differential between deals issued in the euromarket and the domestic market is less than it was last year, when insatiable appetite for emerging-market paper in the international investor community allowed companies to issue GDRs at higher prices than would have been available in the domestic market.

"Well-known blue-chips can still price deals competitively, but second-line companies have to pay a discount [to their underlying shares] of around 20 per cent," says one syndicate official, adding that in domestic offerings companies usually sell new shares at discounts of around 30 per cent to existing shares. "A company has to ask itself: why go through the hassle and expense of issuing in the euromarket if I can stay in the domestic market and get a similar price?"

The domestic market tends also to be less subject to sudden swings in sentiment than the highly volatile GDR sector, and issues can be done even in difficult market conditions. Indeed, in spite of the poor performance of the Indian stock market for much of this year, some 250 share offerings, worth around Rs62bn, have come to the domestic market in January and February. Last month, a new issuance record was hit with 36 new offerings being launched on the same day.

Another advantage for companies issuing shares in the domestic market, says Mr Sale, is that the system of underwriting places more risk on the lead manager and syndicate, and ensures that the issuer will get the proceeds of tha sale.

"If the issue is not fully subscribed, the issue devolves upon the underwriters, thus ensuring proceeds are secured for the company," he says. In the euromarket, a GDR issue can be pulled at the last minute if the lead manager feels there won't be enough demand for it, and his underwriting risk is limited only to the short period between pricing and payment date.

All this indicates that many second-line companies may turn back to the domestic market, leaving the euromarket to internationally-known blue chips seeking to raise their international profile and planning issues of $100m or more.

"A blue-chip in an attractive sector can still get better pricing terms in the GDR market than domestically," says Mr Sale. "The GDR market may be dominated by the larger issues, such as VSNL, the Steel Authority Indie and State Bank of India," all of which are planning issues in excess of $200m.

This coincides well with developments on the demand side, with investors increasingly selective following this year's emerging-market shake-out.

"Quality is key, and investors are still prepared to buy quality companies," says Mr Chowdhry. But "investors have become much more selective, and some of the lesser-quality names issued last year don't stand much of a chance," he adds.

Indeed, a two-tier market has developed, where GDRs of well-known companies with strong management and good earnings records trade at a premium to their underlying stock, while lesser-quality names currently trade at discounts as deep as 20 per cent.

Still, discounts generally have narrowed in recent weeks, helped in part by declining stock prices and also by cautious investor buying.

"When we started seeing some GDRs trading at 25 per cent discounts to the local price, we gave the market a hard look and decided to increase our holdings," says Ms Laurel Grassin-Drake at BZW Investment Management, wbo runs Oppenheimer's $425m India Fund.

Indeed, some foreign investors have been carrying out arbitrage trades where they buy a deeply-discounted GDR and convert it into the underlying shares. However, this process can take weeks, during which investors are exposed to sudden price moves. To avoid this exposure, some funds which own local shares in companies whose GDR trades at a discount bave been selling their shares and bought the GDR on the assumption that the discount would eventually close.

Although sentiment remains nervous, many feel the worst is over and hope that the Indian market is close to its bottom.

"I am becoming much more optimistic on the market," says Mr Chowdhry. "It has come down a lot, partly due to politics and supply fears, and looks much better value now. Most of the bad news has been discounted, so any good news in the coming months could come as a pleasant surprise."

Others agree. According to Ms Grassin-Drake, economic growth is rohust; inflation, though on an uptrend, is still within reasonable levels, and the government is acting to control its increase; the political scene is uncertain, but all major national parties have endorsed the reform process; and P/E multiples are low relative to earnings growth. "In short, we believe the market has overreacted to the news of the last two months."

Lastly, India is still relatively underrepresented in Asian portfolios, and longer-term prospects for portfolio weightings are positive, says Fleming's Mr Sale. "India could be one of the main beneficiaries of the re-weighting of emerging-market portfolios away from Latin America to Asia."

Local residents near the Red Fort in Delhi: expatriates may not always be so carefree Picture: Tony Andrews

■ Some advice if you're posted to the subcontinent

A passage without too many tears

You've accepted a posting to India with the responsibility of setting up your company's first office on the snbcontinent. You and your spouse are thrilled by the opportunities: a challenging job in a hnge economy just opening up, travel and adventure, an exotic culture and interesting people, and an educational experience for your children.

Yet after three months at post, the thrill is gone. Your family is still stuck in the hotel because you can't find suitable accommodation. Tears are shed almost daily, and the children are sick and whingeing. The delays in setting up your office infrastructure are getting you down, and you're tired and stressed. You've been too busy to travel except for business. What's gone wrong?

Getting settled is easily the toughest part for most expatriates living in India. It can take six months to a year for most newcomers to feel comfortable. Extreme weather, widespread poverty, puzzling cultural differences, dealing with live-in servants for the first time, difficulties in accomplishing even straightforward tasks, pollution, and health risks can overwhelm new arrivals.

Especially for those who have not lived in a developing country before, the work of moving house and adjusting to a new culture can be more stressful than they ever imagined.

Non-working spouses typically have a harder time than their partners getting started in India because they are dealing with many more domestic frustrations tban they are accustomed to, especially if they have given up a joh themselves to relocate.

"The first six months were the worst period of our life, together. It involved a great deal of stress, sickness and downright unhappiness," says Mr Kito de Boer, principal at McKinsey, the management consultants. Mr de Boer moved from London to Delhi in January 1994 with his wife and three children to set up McKinsey's office. A year later, they are enjoying it.

He says: "I find the work enormously satisfying. Moving to India is the best personal decision I've ever made. My wife (now working part-time) is excited and stimulated by the people and the environment, and mucb less frustrated now that we have got some semblance of order in our lives."

Locating accommodation and office space, the first task for new arrivals, can take time in both Delhi and Bombay because of increasing demand for both residential and commercial property.

The de Boers' story is not unusual; it took Mr de Boer four trips from London in four months to locate a house, and then his family lived in a hotel for another four months waiting for the housa to be upgraded.

The house-hunt can take from one week to several months, depending on luck and your requirements for space and location. With increasing numbers of foreign companies sending representatives to India, many families are finding they have to wait months for a house in a desirable location, or accept something further from the centre of town.

The standard of housing in India, and the workmanship within, is lower than westerners are accustomed to. You may aspire to a palatial property evoking the days of the Raj, but what's mostly on offer are unimaginative, boxy dwellings that need painting, with ancient plumbing, awful bathrooms and strangely shaped living spaces. Most houses and flats need repairs before they meet western standards. Many have to be completely rewired and replumbed and have all the light fixtures replaced.

Rants are rising rapidly. Bombay and Delhi rank high on world league tables for property prices. A family house with two to four bedrooms in New Delhi can rent for Rs50,000 to Rs200,000 (roughly £1,000 to £4,000) a month, depending on location. In Bombay, which is evan more crowded and expensive, most expatriates live in flats. A two-bedroom apartment rents for about £3,000 a month.

Office space in Bombay is reputed to be the most expensive in the world, at Rs200 per square foot compared with Rs50 to Rs150 in Delhi. Because of the cost and lack of availability, foreign businesses are starting to locate in Bangalore or Madras instead.

Once you find your house and office space, dealing with your landlord and getting your company to accept his terms is the next hurdle. It is a landlord's market. They demand hnge security deposits, as much as $1m in Bombay, for which there will be no bank guarantee. Often they require rent for the entire tenancy period to be paid upfront. For tax reasons they may ask for payment in foreign bank accounts, different currencies, cash, or other mysterious-sounding modes of payment.

Your employer may baulk at these unconventional terms, and you must taka advice to find out if you are being taken for a ride or breaking the law. But generally your company has to put up with it if it wants to do business.

Office space in India'a larger cities is a big problem. Because of the shortage, companies make do by converting old houses, setting up in a hotel suite, or locating the office at their representative's home. Upkeep and appearance of shared facilities in an office building is one difficulty.

Mr de Boer says: "The first thing we ask the agent is, is there spit [from red betel juice] on the wall in the lobby." No one takes responsibility for communal lifts, the entry lobby, or a central generator in a 22-storey building in a country where power cuts are frequent, so the shared facilities can look dreadful even if your office upstairs is smart and clean. Some multinationals are trying to club together to occupy a building hut this can be complicated.

Kitting out your office with staff, telephones, fax and computers can be done in a minimum of three months of intensive work, but often takes longer. Many firms ship office equipment over with the employee, but the availability of decent quality Indian telecoms and computer equipment is improving, so it is important to take advice on what equipment you need to import.

Mr Geoffrey Picton-Turbervill, resident partner with the UK law firm Ashurst Morris Crisp, set up his firm's New Delhi office from scratch in September and had it up and running by December. The British High Commission and other businesspeople were excellent resources for both him and his family in setting up, he says. Most expatriates will find their embassies willing to provide support and advice.

Telephone lines for home and office must be applied for, and if you want them quickly yon pay a high fee. Even when the lines are installed, they may not permit you to dial long distance or internationally, and this can cause further battles with the bureaucracy.

If your office requires special telecommunications facilities, be prepared for extra headaches. Mr Jeremy Clift, editor, India for Reuters, says he has just found new office space in Bombay, but his biggest problem is locating sufficient lines needed for tbe international news agency's operations. "It means digging up the pavement to install new lines, and relocating our large data centre. The monsoons affect when we can dig, so we will have to shift in stages."

To reduce the aggravation, some people employ an Indian office manager who knows the right channels to go through to lodge applications and chase the necessary permissions. A fixer can pave your way through the bureaucratic maze so that you do not have to waste endless hours in qneues or on the phone.

Mr John Moore, country bead for Barings, the investment bank, who set up an office to accommodate 60 staff in Bombay, said his project manager was invaluable. He advises businesspeople to arrive in India before their families and set as much up as possible in tha home and office, in order to give the spouse and children more support when they come to ease their transition.

Mr Moore says: "Doing business here takes much longer than you think it will, then double that. It's not easy for people in your Hong Kong or London office to understand...time is a relative value here."

Mr Picton-Tubervill advises: "Be as prepared as possible and plan ahead. You can cope with the delays if you are prepared for it, otherwise you will go mad or be very disappointed. You have to adjust to the fact that things take longer here. In planning your business timetable or setting up every deal, you have to take that into account."

Mr Jeff Meller, an American lawyer who has lived here for 18 months, says: "Everything moves like molasses. You can get worked up trying to make it work faster, or you can learn the efficiencies in the system that can make things work faster for you. It's a matter of using relationships rather than following established procedures."

Though foreign businessmen face cultural adjustments in India, they typically are excited and stimulated by the work there and by the challenging environment hrought about by economic reform. The culture shock is softened by having an office to go to, a busy job and perhaps frequent travel.

The adjustment of partners, however, is generally not so swift. Many non-working sponses say the first six months are a real slog. Mrs Emmeline Winterbotham, who moved to Delhi two years ago with her investment banker husband and three children, says that "the first six months were among the most stressful and difficult months I can remember. Then it got better. From six months to a year there was still a lot to do with the house and a lot of sickness, and after a year we developed a resistance to the bugs and the house does work."

Moving in involves getting telephones, air conditioners, and generators hooked up, as well as furnishing and decorating. Each of these tasks involves many tedious steps and can take months to complete. But there are frequent infrastructure crises in most homes, even after people are settled.

These are mostly because of poor quality resnlting from a closed economy in which domestic prodncers of consumer goods bave had little incentive to prodnce good products. Plumbers have to be called out every few weeks, and electricity and water supplies are unreliable. Telephones often go dead. Eventually most foreigners just get used to these problems, but at first they can be incredibly frustrating.

Most expatriates suffer from stomach bugs, especially in their first few months. Though good doctors are available, many foreigners choose to go abroad for treatment if they auffer more serious medical problems, particularly those which may require surgery. Bronchial problems, aggravated by the heavy pollution in Delhi, are common. However, good schools are available and children generally thrive.

Mrs Winterbotham says now that living in India is liberating. "It's tha first time I've not worked since leaving university, and I have the opportunity to indulge myself in all the things I've always wanted to do – a film course, theatre, the orphanage, and some pretty amazing shopping ... Also as a foreigner here, you seem to have entrée to things you might not otherwise, with less rules preventing you from getting involved."

Lisa Vaughan

KEY FACTS

Area	3,287,263 sq km
Population	901.5 million
Head of State	Dr Shankar Dayal Sharma
Currency	Indian Rupee
Average exchange rate	1993 $1=30.49 Rupees
	1994 $1=31.37 Rupees

ECONOMY	1993	1994
Total GDP ($bn)	246.4	n.a.
Annual average % growth in:		
Real GDP (%) [1]	4.0	5.0
Private consumption [1]	3.5	4.4
Total investment [1]	2.0	7.5
Government consumption [1]	3.5	4.5
Exports [1]	20.0	14.1
Imports [1]	7.2	18.1
Industry [1]	3.0	7.0
Agriculture [1]	2.2	3.0
Consumer prices (%) [2]	6.4	10.3
Wholesale prices (%) [2]	8.9	10.6
Ind. production (%) [3]	1.9	7.4
At end year		
Stock market growth (%) [4]	16.9	8.6
Stock market cap. ($bn) [4]	49.4	65.4
Call money rate (%)	5.36	5.75
Total external debt ($ bn)	91.8	n.a.
Debt service ratio (%)	28.4	n.a.
Trade [1]		
Current account balance ($bn)	-0.5	-1.7
Merchandise exports ($bn)	23.0	29.0
Merchandise imports ($bn)	24.2	30.5
Trade balance ($bn)	-1.2	-1.5
Main trading partners (%) [5]	Exports	Imports
Germany	7.1	7.3
US	17.7	9.5
UK	5.8	6.5
Japan	7.8	6.0
Middle East	11.5	22.9
Asia	21.2	9.9
EC	25.3	29.7

(1) Fiscal years beginning April 1 1993, 1994.
(2) 1994 Jan-Oct average. (3) 1994 Jan-August average
(4) Stock market figures are IFC indices in $ terms.
(5) Percentage shares of trade in 1993.

Sources: IMF, EIU.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday March 13 1995

MARKETS THIS WEEK

JOHN PLENDER: GLOBAL INVESTOR
Professional investors increasingly want clear, uncomplicated exposures to specific markets and specific risks. How, then, are we to explain the behaviour of the banking sector, where a squeeze on profitability in mature traditional businesses is prompting much activity away from the core? Page 20

PETER NORMAN: ECONOMICS NOTEBOOK
In the past 30 months, a number of the world's leading currencies have experienced significant revaluations or devaluations. The changes have been large enough to worry policy makers. But apart from some unsuccessful central bank intervention 10 days ago and a concerted effort to jawbone the US dollar back to health last week, there is little sign of any new initiative. Page 20

BONDS:
While the world's currencies went through turbulence last week, causing knock-on effects across global markets, one set of instruments was scarcely affected: French bonds. Page 22

EQUITIES:
Dividend growth in UK companies is exceeding projections, looking increasingly like 12 per cent for 1994 compared with earlier predictione of 10 per cent. On Wall Street, the question this week is whether the market will sustain its highs amid a flurry of new economic data. Page 23

EMERGING MARKETS:
On March 1, when shares in companies included in the second, and probably final round of mass privatisation became publicly tradeable, the Czech bourse becama the biggest in post-communist eastern Europe, with about 1,800 quoted issues. But size is not everything, as traders in the Prague stock market can testify. Page 21

CURRENCIES:
Foreign exchange trading was more stable on Thursday and Friday, but it would be optimistic to think that the market turbulence is a thing of the past. Many investors and traders are doubtful whether the D-Mark can sustain its recent gains. Page 21

COMMODITIES:
Coffee and cocoa producers both meet this week to discuss production restrictions. Page 20

INTERNATIONAL COMPANIES:
The charitable foundation which controls Cariplo, the Italian savings bank, became the second institution within a week to reveal plans to give up majority control of its banking activities. Page 19

UK COMPANIES:
Tomorrow's year-end results will show the Saatchi & Saatchi advertising group in profit for a second year. Page 18

STATISTICS

Trafalgar wins support for new Northern bid

By Peggy Hollinger in London

Trafalgar House, the engineering group which on Friday abandoned its £1.23bn ($2bn) bid for Northern Electric, is understood to have won the support of about 35 per cent of the utility's shareholders in its attempt to present a lower offer.

However, Northern's largest institutional shareholders are not keen for a revised bid to be put on the table until the confusion over a possible review of electricity price limits is cleared up.

In an unprecedented move last week, Trafalgar asked Northern's shareholders to sign forms indicating their intention to accept a £9.50 offer, down from £11, and calling on the company to allow a new bid to be made.

The action was prompted by the electricty industry regulator's decision last week to consider imposing new price limits just eight months after the last five-year review. Electricity shares fell sharply as a result.

Northern has refused to consent to a lower bid. Trafalgar is now expected to consult the Takeover Panel, citing the 35 per cent which wants to consider a new bid, on how it can proceed. It is also expected to claim that arbitrage traders holding more than 20 per cent, who bought in the expectation of a bid, would also want to consider a new offer.

Meanwhile, the chances of a quick resolution to the turmoil in the electricity sector appeared to be receding over the weekend. Executives of the 12 English and Welsh regional electricity companies (recs) are to meet on Wednesday to discuss the demerger of the National Grid.

They will examine ways it could be used to circumvent a new price review by, for example, increasing the customer rebate attached to demerger from a recently agreed £30 to £60. However, some recs fear that a rebate would not resolve public concern over electricity prices.

Several companies are reluctant to agree the details of a National Grid demerger until the price review issue is resolved.
Lex, Page 16

Colman's is stuck on the side of the plate

By David Blackwell in London

Reckitt & Colman might be keen as mustard to sell its UK food and drink businesses, but potential buyers appear to be in no hurry. Nearly six months have passed since the group said it was breaking with 185 years of history by putting its UK mustard business up for sale to help finance its drive to become a world leader in household products. Tha group will announce its 1994 results on Thursday, but is still not ready to announce a disposal.

Reckitt said on Friday that the disposal was "on track and continuing in a satisfactory manner". Analysts suggested last week that the London stock market was not concerned yet, but might worry if the process dragged on. They also suggested that Reckitt's hopes of raising £400m ($656m) from the sale were ambitious.

Part of the problem in finding a buyer could be the 'Englishness' of the two brands on the block. Colman's is famous for English mustard, which has never really caught on in other countries, and Robinson's barley water is associated with the Wimbledon tennis championships. Both are attractive brands, hut growth prospects look limited. English mustard accounted for nearly 60 per cent of the mustard sold in the £31m UK market in 1993, according to Data Monitor, the strategic management consultancy, and Colman's held 60 per cent of the English mustard sales.

Danone, France's biggest food group, has always been seen as the most likely buyer. It owns Amora and Maille, the top two brands in the French mustard market. But the French group, formerly BSN, said last week that it was no longer in negotiations with Reckitt.

Other companies that have been reported as interested include Heinz and CPC of the US, Switzerland's Nestlé and Northern Foods, Unigate and Hillsdown Holdings in the UK.

Andrew Baxter and Hugh Carnegy report on Volvo's control of VME

Gaining ground in the earthmover industry

Ten years after putting its construction and earthmoving equipment activities into an international joint venture, Volvo is digging deeper into the industry by buying out its partner, Clark Equipment of the US.

Last week, the Swedish vehicle group said it would pay $573m for Clark's 50 per cent stake in Brussels-based VME Group, best-known for tha three equipment brands that gave it its name – Volvo BM, Michigan and Euclid.

Although Volvo will end up with 100 per cent of one of the biggest players in a chronically boom-and-bust business, analysts applaud the move. The agreed deal represents a structural shift within Volvo, turning it into a more balanced automotive group rather than a company dominated by cars.

For VME, which will be renamed Volvo Construction Equipment Corporation, the closer links with its Swedish parent could accelerate international expansion. And both companies stress the opportunities for further synergies on diesel engine development.

Investors and analysts have largely accepted Volvo's case that full control of VME is a rational step in its strategy to concentrate on automotive operations, following the collapse of its 1993 plan to merge with France's Renault.

There has been little dissent over the $573m price for Clark's stake, while analysts point out that Volvo is used to handling cyclical businesses, through its cars and trucks business as well as its half-share in VME.

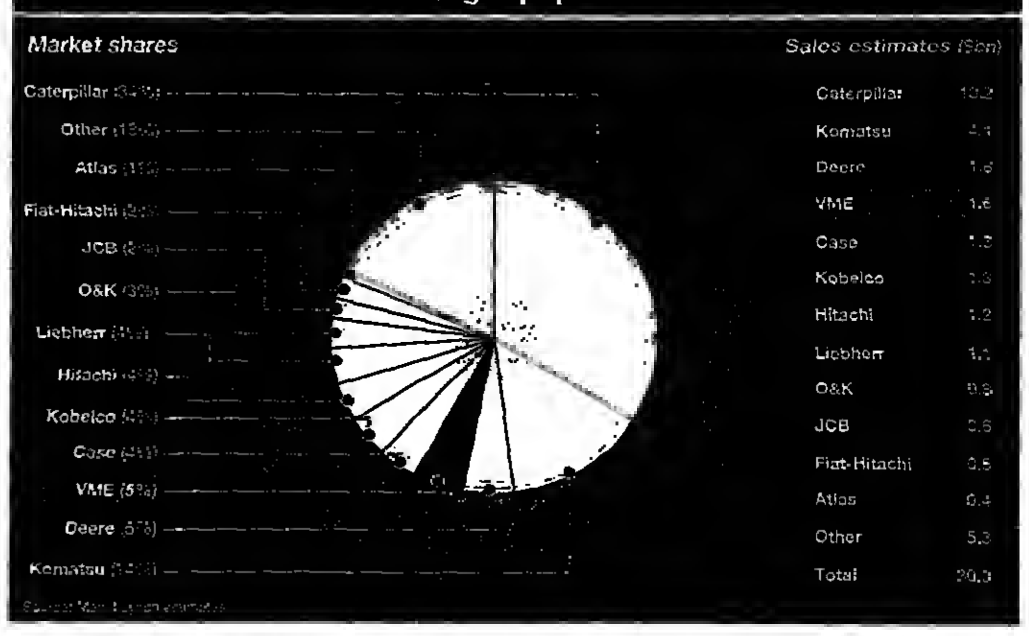
Volvo points to tha heavy restructuring at VME in recent years, which has closed plants in Sweden and North America and cut its workforce from 10,400 in 1990 to 6,900.

"We believe they are in good shape," says a Volvo executive. "They can expand market share [from 5 per cent worldwide] and they can remain profitable in a downturn."

Mr David Phillips, managing director of London-based Off-Highway Research, notes that when VME was formed in 1985, the construction equipment industry was in an "enormous state of flux.

"Amid all the mergers and acquisitions of the time, it emerged as just another good, big construction equipment company, and even with VME there was a question of whether it would continue," he says.

But the company had prospered, through focusing on its strengths in product engineering and making some clever acquisitions, notably the purchase in 1990 of Zettelmeyer, the German producer of small wheeled-loaders.



For Volvo the timing looked right to increase its stake in VME. The construction equipment group lost a record $94m in 1992, due to a recession which Mr Tuve Johannesson, president and chiaf executive, described as "unprecedented in modern times". But last week VME reported record net earnings of $132.1m and a surge in operating profits from $64.7m in 1993 to $210m, as sales rose from $1.24bn to $1.57bn. Mr Johannesson says demand is rising in many European markets and prices are improving, although the North American market may already have peaked.

In the short term at least, VME will enhance Volvo's earnings capacity. Last year, VME's operating margin of 13 per cent was well ahead of the 8.1 per cent achieved by Volvo trucks and more than three times the 3.5 per cent returned by the car division.

Mr Colin Whitbread, motor industry analyst at Swiss Bank Corporation, calculates Volvo's group operating margin would have been 6.5 per cent last year, instead of 5.7 per cent, if VME had been fully consolidated.

There is a little more scepticism over the extent to which Volvo can win significant cost benefits from synergies with VME. But Mr Jan Dworsky of Fiba Nordic Securities says Volvo should be able to maximise existing co-operation on engine development where the two companies use the same technologies. "That is the most expensive part of product development for both VME and Volvo trucks," he said.

Taking full control of VME cannot disguise the fact that the Volvo cars division is still performing weakly

The big question is how VME fits into the overall structure of Volvo's business as it sheds some SKr40bn-worth of non-core assets and puts all its soon-to-be huge cash resources into automotive operations.

Taking full control of VME cannot disguise the fact thet Volvo cars, the biggest division, is still performing weakly as it approaches the top of the cycle.

Volvo is valued on a low earnings multiple comparad with other European manufacturers and needs to show it can improve its car returns. This argues for heavy concentration on expanding Volvo's thin model range and enhancing profitability.

While Volvo works to achieve this, however, it can benefit from the better balance brought by full ownership of VME. Together, turnover of Volvo trucks and VME last year was around SKr64bn ($9bn), only SKr10bn short of car division sales. Their combined profits were double that achieved by Volvo cars.

Mr Dworsky says this profile will make Volvo look very different to some other automotive companies such as BMW of Germany. "The trucks and VME operations will generate more returns than the car business even when cars return to a decent level of profitability."

Mr Johannesson, meanwhile, stresses that hotb Clark and Volvo had been good owners for VME, but he is clearly relieved that six weeks of uncertainty, since Clark announced a plan to float its stake in an initial public offering, are over.

Volvo's long-term commitment to the construction equipment industry would pay off for both companies, he says. Apart from closer co-operation on engine development, VME could also use Volvo's resources to expand in developing markets such as China. It could also follow Volvo into new markets, or in some cases establish the first foothold itself.

As Mr Phillips says: "VME can open most doors, but it's that much easier with the Volvo nama behind you."

This week: Company news

REED ELSEVIER

Cost-cutting puts a keener edge on profits

The twin strategy of cutting costs while making selective acquisitions should pay off for Reed Elsevier this week when the Anglo-Dutch information and publishing group reports a solid increase in profits.

First-time full-year contributions from Official Airline Guides, acquired 18 months ago for £277m, and Editions Techniques – the French legal publisher – are expected to lift pre-tax profits from £518m to £602m ($987m).

Reed International – the UK arm – is expected to account for about £330m of this, including exceptional provisions for reorganisation and redundancies.

That reorganisation has centred mainly on medical publishing and the exhibitions business.

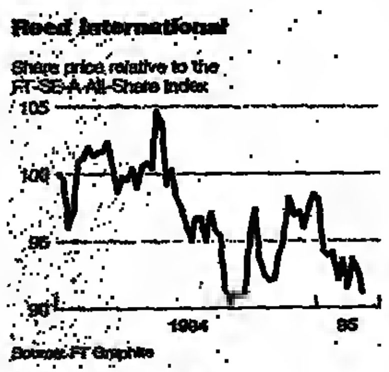
Nevertheless, a question mark remains over organic growth in the core businesses. In sales terms, they grew by a relatively sluggish 4.5 per cent increase in the first half, and City analysts are looking for an acceleration when the group publishes its full-year figures on Wednesday.

An upturn depends on whether Reed has been able to push through subscription price increases and higher advertising rates on its regional newspapers and IPC magazines.

That effort has been helped by the UK recovery and steady demand in North America. Contributions from its US businesses should increase further this year following the integration of Mead Data Central, the electronic information group acquired for $1.5bn last year.

A strong performance, meanwhile, by its existing US businesses is expected to push earnings per share up by about 15 per cent from 35.8p to 41.3p for Reed International shareholders, with a similar increase likely for Elsevier investors. If it meets those targets, analysts predict the group will raise the full-year dividend to 21p (18.75p) – an increase of 12 per cent.

Reed International



Source: FT Graphite

OTHER COMPANIES

L&G set to reassure despite appearances

Forecasts for full-year pre-tax profits from Legal & General, one of the UK's largest insurers, on Thursday range from £150m to £168m ($276m), below the 1993 figure of £181m. This is because of L&G's "unsmoothed" method of accounting for capital gains – which means that it could see investment returns as a negative – rather than a lack of confidence in its performance in the core UK life insurance business. A better picture than the pre-tax profit of how L&G is expected to perform can be seen from forecasts of the total dividend per share, which is predicted to be 21.3p-21.7p, against 20.1p.

■ **Pharmacia:** The Swedish pharmaceuticals group which was privatised last year, is today expected to report profits of around SKr5.4bn ($740m) for 1994. The performance will reflect the impact of a rigorous cost-cutting programme, helping to compensate for disappointing underlying sales growth due to a general clampdown on health spending.

■ ***Société Générale:*** One of France's largest banks, is expected on Wednesday to unveil profits of about FFr3.7bn to FFr3.8bn ($760m) for the year to December 31 1994. In line with other banks, analysts predict a growth in provisions against property loans and reduced profits in the second half on capital markets activities.

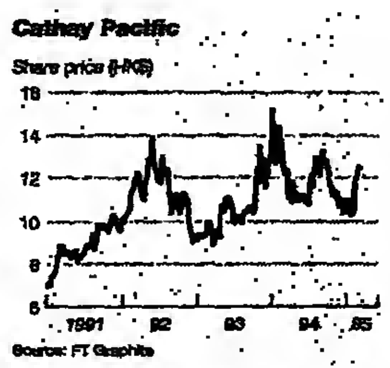
■ ***Swiss Bank Corporation:*** Chief executive Georges Blum has signalled twice in recent weeks that the bank's 1994 results were unsatisfactory. Rivals Union Bank of Switzerland and Credit Suisse gave no such advance warnings but then reported net incomes down 29 per cent and 18 per cent respectively. SBC, Switzerland's third largest bank, will present its 1994 figures in Basle on Wednesday morning, and most analysts are expecting a substantial fall from the SFr1.37bn ($1.12bn) net income earned in 1993.

■ **Deutsche Babcock:** The German engineering group will announce its final results on Wednesday for the year ending September 30. The group, which has been extensively restructured and is beginning to make a recovery from Germany's recession, has already announced gross profits of DM102m ($73m) and said it would pay a dividend of DM5 for the first time since 1988.

■ **Cathay Pacific:** The Swire-controlled Hong Kong airline, makes its annual profits statement today and analysts are expecting only modest growth in earnings. The consensus expectation is for a rise in net profit of around 5.5 per cent to HK$2.4bn (US$310m) from HK$2.29bn in 1993. The company's earnings are expected to be affected adversely from a temporary fall-off in Taiwanese travel to the mainland last year. The airline is, however, expected to benefit from new work practices introduced last summer and the general strength of the Asian aviation market.

■ **United Biscuits:** The UK-based food conglomerate is forecast to report pre-tax profits of about £155m ($254m) – £116.7m last time – for 1994. UB has faced another tough year. Just when it was getting on top of its difficulties at Keebler, the US cookie and snack maker, life turned tough in UK snacks and biscuits.

Cathay Pacific



Source: FT Graphite

■ **Kingfisher:** The embattled UK retailing group which has ousted four directors in the past two months is forecast tomorrow to announce a 10 per cent fall in pre-tax profits from £309m to about £280m ($459m), before exceptional items.
Provisions of at least £80m are expected, including a £50m goodwill write-off on the disposal of Charlie Browns, the automotive repair group, plus restructuring costs at the Comet and Woolworths chains.
Sir Geoffrey Mulcahy, chief executive, faces close questioning from analysts and institutional investors on his plans to revive the group's fortunes.

Companies in this issue

COMPANIES AND FINANCE

New name and executive options should be in place by end of week

Progress at Saatchi & Saatchi

By Diane Summers, Marketing Correspondent

This week should have been one of moderate satisfaction for Mr Charlie Scott, chief executive and – through force of circumstances – acting chairman of the Saatchi & Saatchi advertising group.

Tomorrow's year-end results, while a long way from sparkling, will show Saatchi in profit for a second year. 1993 was the first time in five years that the group had climbed out of the red.

Pre-tax profits will, in line with market expectations, hit £30m-plus, showing about a two-thirds increase on 1993's £19m. Revenues will have remained flat but margins will show growth of at least a percentage point.

By the end of Thursday Mr Scott will also have completed two other long-cherished projects. If all goes according to plan, an EGM will have changed the holding company's name to Cordiant to distance it from the advertising networks, and senior executives will have in place a new share options package.

But this modest progress will be blighted by the uncertainty of the year ahead. The ousting in December of Mr Maurice Saatchi, and the subsequent fall-out of staff and clients, came too late to have an impact on this week's figures. It is still unclear how much damage has been done, in particular by the loss of the Mars account, worth about £30m in revenue in a full year.

There is no doubt that progress has been dealt a severe blow, putting Mr Scott's plans back by a year or more. The initial calculation that has been done by some analysts in their forecasts for 1995 has been to cut about £10m off pre-tax profits, giving identical numbers to those for 1994.

Mr Scott is unlikely to provide further clues on Tuesday about what is in store for this year. It will be some time before it is seen whether his strategy to replace Mars has paid off. His intention is to keep together the Mars team at the Bates advertising subsidiary. Said one insider: "Charlie believes they are world-class confectionery and pet-food marketeers. He's determined to give them time and space to replace the Mars business. He doesn't want to continue to cut costs because that gets you nowhere."

It will probably be May or June, and the AGM, before the pieces fall into place and a trading statement from Mr Scott casts more light on the situation.

In the long term Cordiant, as it will become, is hoping to disappear from the headlines. But that will certainly not be possible for some months ahead.

After the results and the EGM comes the pitch in April for the British Airways account – particularly high-profile because Mr Maurice Saatchi's new agency will also be competing. Following that is the resumption of a court battle with Mr Saatchi and other senior ex-Saatchi executives, which has so far gone badly for Saatchi & Saatchi. The annual report and the AGM will follow closely.

If Mr Saatchi chooses this week to steal the limelight by announcing a link-up with an international advertising network, nobody at his old company is likely to complain.

Titaghur restructure could lead to an offer

By David Blackwell

The financial reconstruction under consideration at Titaghur, owner of six jute mills in Calcutta, could lead to an offer for the company.

The company, whose shares are traded under Rule 4.2, said that it was "in talks in relation to refinancing proposals which may or may not lead to an offer being made for the entire issued share capital of the company".

Mr Reg Brealey, the main shareholder, said at the annual meeting in Dundee almost a fortnight ago that he would step down as chairman once a restructuring package was agreed. At the chaotic meeting he faced hostile questioning from some shareholders, including his brother Len, who was threatened with ejection.

Mr Brealey controls 27.4m of the 109.4m shares in issue. The shares, which reached almost £17 in 1989, are now worth only a few pence.

Titaghur has debts of £35m and accumulated losses of £67.5m. Its assets include the Knoydart Peninsular, a Scottish estate acquired by the company in 1993 to be used for youth training.

At the beginning of the year it appointed as financial advisers English Trust, a small merchant bank that recently sponsored the flotation of Mackie, the Northern Ireland-based jute machinery maker which equipped many of the Indian and Bangladeshi jute mills.

It is understood that about £10m will be required to refinance Titaghur.

Refinancing agreed for Newspaper Publishing

By Raymond Snoddy

Mr Tony O'Reilly's Independent Newspapers, the Irish media group, and Mirror Group Newspapers have agreed a refinancing designed to secure the future of The Independent.

A £20m rights issue, to be finalised later this month, will mean that both MGN and Mr O'Reilly end up with 44 per cent of Newspaper Publishing, the company that publishes both The Independent and The Independent on Sunday.

Of the two existing continental European shareholders, Mr Carlo di Benedetti's La Repubblica, the Italian newspaper group, has decided to pull out to concentrate on developing television interests in Italy. The other, El Pais of Spain, will have a 12 per cent stake following the refinancing.

In the past 12 months Newspaper Publishing has lost about £25m although that includes one-off redundancy charges, the cost of moving to Canary Wharf and integrating its business structure with MGN. It is believed that about £13m a year has already been taken out of operating costs since the integration with further savings to come.

Under the agreement, Mr O'Reilly and MGN, publisher of the Daily and Sunday Mirror and The People, will have an equal number of directors, although Mr O'Reilly will be able to nominate the chairman.

Mr O'Reilly, who still spends most of his time in the US as chairman and chief executive of HJ Heinz, the food group, has ruled himself out. One possibility would be Mr Liam Healey, chief executive of the Irish Independent group.

MGN will remain responsible for managing Newspaper Publishing as a business and the new deal is likely to strengthen the position of Mr David Montgomery, MGN chief executive, who will in effect be the new chief executive of Newspaper Publishing.

Mr Andreas Whittam Smith, the main founder of The Independent will stand down as chairman but will remain a non-executive director. Despite difficulties caused by the current price war circulation of The Independent is inching towards 300,000 while The Independent on Sunday's sales have risen above 320,000 and advertising revenues are starting to rise.

The business plan envisages Newspaper Publishing breaking even within two years.

Study shows UK merchant banks win privatisation work worldwide

By Nicholas Denton

City of London investment banks have translated their experience of selling UK state companies into privatisation work worldwide, according to a league table published this week.

Five of the 10 financial advisers with the newest privatisation mandates in 1994 were British, according to a study by Privatisation International magazine.

NM Rothschild, the UK merchant bank which advised the regional electricity companies in the UK on their privatisation in 1990, last year won assignments to work on 43 privatisations worldwide.

Other leading UK privatisation advisers were Schroders, the second largest UK merchant bank by market capitalisation; Samuel Montagu, the merchant banking arm of HSBC Holdings, owner of Midland Bank; SG Warburg, the largest investment bank; and Morgan Grenfell, owned by Deutsche Bank.

CS First Boston, the investment bank owned by CS Holding, the Swiss banking group, has focused on eastern Europe and other emerging markets. It won 35 new mandates, the third largest number.

Some investment banks are stronger than they appear. Goldman Sachs, which ranked fifth in terms of number of deals, has a higher share of the more lucrative jobs.

Rothschild was appointed adviser to Deutsche Telekom for its privatisation in 1996, but Goldman Sachs won the prized role of global coordinator – or distributor of shares.

The financial adviser with the largest number of new privatisation assignments in 1994 was Creditanstalt, the Austrian bank, which won 54 jobs.

All but one of these, however, was in eastern Europe and the former Soviet Union, where there are many sales of state companies but generally low proceeds.

EPIC, a small Austrian consultancy specialising in the brewery sector, also benefited from the number of transactions in eastern Europe.

Vision hopes for £5m from float

By Christopher Price

Vision Group, an Edinburgh-based manufacturer of specialist electronic cameras, is planning to come to the market in a move which should value the company at between £22m and £27m.

The group intends to raise about £5m of new money, which will be used to fund working capital and undertake developments.

Vision was founded in 1990 by Professor Peter Denyer, who had worked on developing advanced vision technology at Edinburgh University during the 1980s. The group has developed a "camera on a chip", which combines both image sensing and image processing to produce a product which has low power consumption and is competitively priced.

In the six months to January 31 1995 sales were about £800,000 and Prof Denyer said he expected Vision to move into profit by the end of the financial year 1996.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
ING (Netherlands)	Barings (UK)	Banking	£660m	International rescue
Potash Corp (Canada)	Texasgulf (US)	Fertilisers	£509m	Elf non-core disposal
Volvo (Sweden)	VME (Sweden/US)	Construction equipment	£360m	Renewing consolidation
Exide Corp (US)	CEAC (Italy/France)	Batteries	£348m	Another Fiat disposal
RTZ (UK)	Freeport McMoRan (US)	Mining	£283m	Establishing partnership
Total (France)	Kalon (UK)	Paints	£62m	Forming new paint company
Cookson (UK)	Tolaram (US)	Textiles	£40m	Other buys in progress
TVX Gold (Canada)	Kassandra Mines	Mining	£30m	Lead into gold?
Electrolux (Sweden)	Maharajah International (India)	Domestic appliances	£8.4m	Taking 51% holding
Lyonnaise des Eaux (France)	Northumbrian Water (UK)	Water	n/a	Early skirmishing

NEWS IN BRIEF

BRITISH FITTINGS has sold John Hood (Copper Alloys) to Holme Dodsworth Metals for £700,000 cash, the value of its net assets.

BTP: acceptances received in respect of 21.7m shares, or 91.6 per cent, offered by way of 1-for-6 rights.

COMPEL has acquired the corporate customer business of Metrocom for £893,000.

ELECTRON HOUSE Australian subsidiary, VSI Electronics, has bought business and certain assets of Volten Pty for £270,000.

GRT BUS Group is to sell its Autotruck vehicle parts distribution subsidiary to Woodhead RSR for £800,000. Autotruck broke even at the pre-tax level on sales of £3m in the year to March 31 1994 and had net assets of £95,000.

HEALTHCALL is buying 51 per cent of Emergency Medical Services (Lanarkshire) for £470,000 satisfied by £215,000 cash, £105,000 loan notes and the issue of 138,888 shares.

HOZELOCK GROUP has acquired J Nordell, its Swedish distributor, for £230,000 cash.

JUST GROUP is buying the remaining interests of its founders, Mr Wilf Shorrocks and Ms Paula Hayes, for an initial £603,000. They include the Future Legend of Robin Hood and royalties from Puppy in My Pocket. The deal is being funded by a placing of 50m shares at 3p to raise £1.5m. The balance is for working capital.

PRINCEDALE GROUP has, through its Colloids subsidiary, acquired the assets and order book of Cookson Matthey Ceramics and Materials for £500,000 cash.

PROVIDENT FINANCIAL is to seek shareholder approval to purchase up to 10 per cent, or 13.4m, of its shares.

RAGLAN PROPERTIES is selling the Forum Shopping Centre, Irvine, Strathclyde for £2.15m to Birkby. The centre has annual rental income of £226,407.

SCHRODER INCOME Growth Fund has raised £79.1m in its offer for subscription. There were 10,744 applications.

Cariplo foundation plans flotation

By Andrew Hill in Milan

The charitable foundatioo which cootrols Cariplo, the Milan savings bank, on Friday became the second institution within a week to announce plans to give up majority control of its banking activities.

In a brief statement, the foundation said it intended to seek a stock exchange listing for Cariplo's shares, to modify its statutes to allow more than 50 per cent of the shares to be sold, and to combine the sale with a capital increase.

Italy's largest banks are jostling for position as both the financial sector and state-controlled industry are liberalised and privatised.

Within tha last week, the foundation which controls Istituto San Paolo di Torino, the Turin bank, has also said it aims to reduce its stake below 50 per cent within a year, taking advantage of new legislation.

Shares in San Paolo di Torino are already quoted, but Cariplo – which stands for Cassa di Risparmio delle Provincie Lombarde – is still wholly owned by the original foundation.

It abandoned plans for a more limited flotatioo last year because of adverse market conditions. Recently, however, its involvement in a number of ambitious and potentially costly projects have prompted the foundation to look again at a capital increase and flotation.

Last week, for example, Cariplo emerged as one member of a possible alliance with San Paolo di Torino and IMI, the former state-owned banking group, which may bid for the Italian government's stake in Stet, the telecommunications company, with a view to selling it on to selected investors later.

A rival consortium of four banks, led by Mediobanca, the Milan bank, has also made an offer for the 61 per cent stake in Stet.

Cariplo, like San Paolo di Torino, also has plans to increase its stake in IMI itself, when the treasury decides to sell of its remaining shares in the banking group before the summer.

The foundation's short statement, issued late on Friday evening, said it foresaw the sale of a majority of its shares "in a relatively brief period, and in any case within five years".

Candidates for Bull stake given Wednesday deadline

By John Ridding in Paris

The computer and electronics companies seeking to take a stake in Groupe Bull have until Wednesday to make a binding offar, according to sources involved in the privatisation of the French computer manufacturer.

The four companies which remain on a sbortlist of candidates to participate in the privatisation – NEC of Japan, IPC of Singapore, and Motorola and Sequent of the US – have been sent a letter informing them of the deadline.

Industry analysts in France said that the move eased concerns that the privisation process had been halted because of the complexities of the operation.

In particular, the sensitivities of arranging a group of shareholders including industry rivals appeared to have presented a serious obstacle.

There was concern, however, that the Freoch government might seek to implement a two-stage process in which it would retain a majority until after the spring presidential electioo.

French officials had previously indicated that they sought to complete the privatisation before the presidential poll, although the conditions of a FFr11bn ($2.18bn) capital injection, approved by the European Commission, give France until the end of the year to reduce its stake to a minority.

The French state holds 76 per cent of Bull's shares, with France Télécom, the state-owned telecoms operator holding 17 per cent.

All four companies on the short-list, with the possible exception of IPC, have offered to take a stake of at least 10 per cent in the loss-making French computer group.

However, some of the candidates are thought to be uneasy about the need to subscribe to a capital increase of between FFr3bn and FFr4bn for Bull, while Motorola, a semiconductor and microprocessor manufacturer, may be concerned about allying itself with a computer group in which some of its rivals have stakes.

Jean-Marie Descarpentries: wants dispersed shareholding

Mr Jean-Marie Descarpentries, Bull's chairman, is thought to favour a dispersed shareholding structure with no single company holding a dominant stake.

Sharp rise in palm oil prices lifts results at Sime Darby

By Kieran Cooke in Kuala Lumpur

Sime Darby, one of Malaysia's biggest and most diversified conglomerates, has announced a 15 per cent rise in pre-tax profits to M$482.7m ($189m) for the six months to December 31 1994.

Analysts say the result puts the group on course to break the M$1bn pre-tax profit mark for the full year. Group turnover improved by 19 per cent over the period to M$4.652bn.

The group, once largely plantation based, has diversified into a wide range of activities, including the oil and gas industry, property, motor and heavy equipment franchises and the manufacture of various rubber products.

The main money earning base of the group in the six months was again its operations in Hong Kong, where it acts as the main automotive and heavy equipment distributor. However, Sime Darby referred to an "uncertain market" in Hong Kong: pre-tax profits in the group's operations in the colony increased marginally to M$96.6m over the six months compared with M$95.2m in the same period a year earlier while turnover fell slightly.

Results in Sime Darby's operations in Malaysia disappointed analysts, with pre-tax profits falling to M$86.6m from M$93.6m. The group did nnt disclose the reasons for the decline but heavy capital investments in an independent power producer project and other schemes are felt to have had an adversa impact on earnings.

However, the star performer for the group over the six months was the mainly Malaysian based plantatinns division, which saw pre-tax profits increase to M$62m from M$14.6m on the back of a surge in palm oil prices over the period of more than 50 per cent.

With estimated cash reserves of more than M$1.2bn, Sime Darby has in the past had the reputation of being one of the region's most cash-rich and conservatively run companies. In the past year the group seems to have become more aggressive: an underlying reason for the surge in plantations earnings was last September's successful completion of the purchase of the remaining stake in Consolidated Plantations, a listed company in which Sime had previously held 51 per cent.

During the period it also announced its takeover for £21.7m of the Lec group, the UK white goods manufacturer.

Sime Darby's share price has recently improved with news of its biggest deal to date: the proposed acquisition at a price estimated at about M$900m of a 60 per cent shareholding in United Malayan Banking Corp (UMBC), in terms of assets Malaysia's fnurth largest financial institution.

NEWS DIGEST

Ifil resists cyclical downturn with 10% advance

Ifil, tha Italian industrial holding company, pushed up net consolidated profits by some 10 per cent in the year to end-1994, compared with the L231bn ($133m) profit recorded in 1993, writes Andrew Hill in Milan.

Ifil, part of the complex business empire headed by the Agnelli family, did not provide details of tha figures, which will be announced formally later in the year, but said the spread of businesses had helped it resist cyclical downturns.

Net consolidated debt stood at L550bn at the end of 1994, but in the first two months of this year, Ifil said tha figure had come down to L200bn.

Ifil's main holdings include a stake in Fiat, the automotive and industrial group, and a series of investments in sectors such as retailing, botels and tourism, paper and food.

La Rinascente, Ifil's separately quoted retail subsidiary, announced on Friday that it had agreed to develop a new chain of home furnishing and furniture stores in Italy with Habitat, the stores group founded in the UK by Sir Terence Conran.

The company said it would transfer some of its existing Croff stores, which are similar to Habitat in style, into the new Italian company. The Habitat group, which is now controlled by the Stitching Ingka Foundation, owner of the Ikea furniture stores, will own 51 per cent of Habitat Italy.

Separately, Ifil said it planned to transfer its 36 per cent stake in La Rinascente into a new Luxembourg-registered company, which will seek other shareholders.

Groupe Worms, the French investment company which is one of Ifil's main financial partners, is to take a 4 per cent stake in the new company, although Ifil will retain a majority stake. Ifil said the aim was to widen La Rinascente's shareholder base and give the group access to further resources for expansion.

Nippon Sanso to write off swap losses

Nippon Sanso, Japan's leading oxygeo and nitrogen manufacturer, said it would write off Y11.9bn ($130m) in losses stemming from interest rate swap transactions for the curreot business year, writes Emiko Terazono in Tokyo.

The company will offset the extraordinary losses by liquidating long-term shareholdings and will not change its projections of Y2.2bo in unconsolidated pre-tax profits and Y184bn in sales for the year ending this month.

Company officials said to offset interest rate payments on some Y50bn in Euroyen bonds issued in 1991, it had concluded interest rate swap contracts.

The company managed to post profits oo the transactions until March last year, but posted losses in the first half of this business year to September due to the sharp rise in long-term interest rates.

Nippon Sanso said it will terminate all its contracts, including those which have not yet reached maturity.

Sandvik soars on strong demand

Economic recovery in Europe and strong demand in North America and south-east Asia helped Sandvik, the Swedish tools and speciality steel group, to double profits in 1994, writes Hugh Carnegy in Stockholm.

Profits after financial items and expenses jumped to SKr3.8bn ($528m) last year from SKr1.8bn in 1993, with SKr1.3bn earned in the fourth quarter. The annual dividend was raised to SKr3.75 per share from SKr2.25.

Sales rose 16 per cent to SKr25.3bn, up from SKr21.8bn in 1993, while the order intake was up 22 per cent over the year, with the stroogest increase coming in the fourth quarter.

The increase in costs was held to 8 per cent, yielding an operating profit after depreciation of SKr3.4bn, after SKr1.5bn last time.

Sandvik, which specialises in metal cutting and rock boring tools as well as pipes and other steel products, said recovery in Europe had a marked bnpact oo earnings, while the operating climate in North America and south east Asia stayed favourable. It said it expected a strong world economy in 1995 and predicted an increase in profits for the full year.

Sandvik Tooling, the biggest division, raised sales by 14 per cent to SKr8.2bn and produced operating profits of SKr1.5bn, compared with SKr972m in 1993. But the strongest improvement came from Sandvik Steel. Sales rose 20 per cent to SKr7.7bn, while operating profits more than doubled to SKr1bn from SKr461m.

MIM recruits Comalco chief executive

MIM, the Queensland-based mining company, has recruited Mr Nick Stump to be its new chief executive. Mr Stump is chief executive of Comalco which is controlled by CRA, the large resources group, and will join MIM on April 18, writes Nikki Tait in Sydney.

Mr Stump replaces Mr Norman Fussell, who resigned suddenly in early January. Although the reasons for Mr Fussell's departure were not disclosed, his resignation came at the end of a long restructuring period for MIM, during which is discarded a range of investments and complex joint venture/cross-shareholding arrangements, to concentrate of its core mining business.

The company has also faced serious industrial relations problems both before and after Mr Fussell's departure, causing operations to be disrupted and its share price to slump.

Mr Stump, who had been with CRA since 1970, said that he intended to focus of MIM's core activities, with Mount Isa "as a priority".

Write-offs contain rise at Metall Mining

Metall Mining, the Toronto-based group formally controlled by Metallgesallschaft, the troubled German group, benefited from higher metal prices in the final quarter of 1994, but earnings were contained by write-offs and higher operating costs at the Copper Range complex in Michigan, writes Bernard Simon in Toronto.

Earnings rose to C$12.7m (US$9m), or 16 cents a share, in the fourth quarter, from C$4.3m, or 6 cents, a year earlier. Revenues climbed to C$288.6m from C$143.1m.

For 1994 as a whole, earnings advanced to C$30.6m, or 38 cents a share, from C$1.3m, or 2 cents.

The latest figure includes a C$9.3m write-down of Copper Range's smelter to reflect its temporary closure last month. Non-recurring gains totalled C$16.9m, mainly from the sale of shares in Australia's MIM Holdings.

Besides higher prices, the sharp rise in revenues reflects the acquisition of a 35 per cent stake in Norddeutsche Affinerie, the European copper smelter.

Average cash operating costs for copper rose to 69 cents a lb last year from 63 cents in 1993.

Oil and gas side hits results at Aker

Aker, the Norwegian cement and building materials and oil and gas technology group, has reported a decline in 1994 full-year pre-tax profits to NKr751m ($119m) from NKr851m in the previous year, writes Karen Fossli in Oslo.

The result was, however, far better than the average of local analysts forecasts of a pre-tax profit of NKr621m.

The slightly weaker result was due to expected significantly lower profits by Norwegian Contractors, a unit within the oil and gas technology division, which builds huge concrete platforms for offshore oil and gas fields.

Group sales fell to NKr16.57bn from NKr18.14bn as operating profits increased to NKr866m from NKr745, thanks to lower depreciation and operating costs.

Aker proposed to leave the dividend unchanged at NKr3.50, but the payout ratio, at 43.6 per cent of net profits, is higher than for 1993 when it was 33.6 per cent.

The company warned that profits by the oil and gas technology division would be lower in 1995 but for the cemeot and building materials division it is expected to be higher.

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / John Plender

Risks in abandoning core activities

Investment fashion has long been hostile to conglomeration. Just as managers in industry have tended, over the past decade, to focus on their core businesses, professional investors increasingly want clear, uncomplicated exposures to specific markets and specific risks. How, then, are we to explain the behaviour of the banking sector, where a squeeze on profitability in mature traditional businesses is prompting much questionable activity away from the core? Is this a re-run of the tobacco industry's attempt to diversify out of the problems of its main business?

The build up of proprietary trading in both commercial and investment banking offers grounds for suspicion. The figures for the percentage of trading income of a clutch of US banks in the accompanying table are subject to numerous caveats, because of anomalies and quirks in the disclosure of non-interest income.

However, the one thing that is clear here – and, indeed, in the figures now being reported by banks across the world – is the nasty bump in trading profits in 1994.

Some argue that such proprietary trading activity is an essential adjunct of the banks' roles in underwriting and distributing securities. Well, maybe. But the scale of dealing, whether in plain vanilla securities or more complicated derivative instruments, is now such that most of what goes on is a zero-sum game.

The banks have abandoned the safe role of the banker in roulette, or the bookie at the races, in favour of punting. As this year's reporting season demonstrates, it is a mug's game.

True, the profits earned in a long bull market have so far outweighed the losses incurred more recently. But the risks, which are exacerbated by substantial leverage, are huge. The question is whether the investors who own these institutions want such exposure to bull and bear markets when they can obtain it for themselves more directly, with a degree of leverage of their own choosing.

Warren Buffet's stake in Salomon Inc, which appears to swing from profit to loss according to the state of the market and the whim of its accountants, is surely one of the great mysteries of the Western world.

That said, there ara occasions when investors might well want exposure to currency trading. There, the readiness of central banks to support a currency against all reason can turn a zero-sum gama into a positive-sum game. Yet the European exchange rate mechanism and the Mexican peso only deliver sporadic windfalls of this kind. In the main, trading income is of rock-bottom quality.

Markets are, of course, self correcting up to a point. Take the UK merchant banks, those mini-conglomerates which combine banking with asset management, corporate finance and securities broking and trading.

Since SG Warburg failed to merge with Morgan Stanley, its 75-per cent owned Mercury Asset Management (MAM) subsidiary, the chief repository of value in the group, has told it to find a stronger owner. Some offspring.

Many of MAM's managers would like to see Warburg reduce its stake to below 50 per cent. In the meantime Warburg itself is shedding derivatives traders.

The uncomfortable thought here for Warburg is whether investors would want to invest in a highly volatile corporate finance and securities operation without the underpinning of more stable asset management revenues. Meanwhile, the aftermath of the Baring affair could mean that what synergy exists within these merchant banking conglomerates will be further eroded. Few clients of any merchant bank fund management arm will in future be prepared to put money with the related bank for fear of contamination. The risk premium that will be required to satisfy independent depositors may be prohibitive.

In the absence of captive clients, such banking activity may thus wither away, leaving the independent UK merchant banks looking more like smaller versions of their US investment banking equivalents. Clients may also become shy, in future, of banks with a high level of proprietary trading in relation to capital, especially where they have a raft of high-profile traders who earn fat bonuses. One lesson of Mr Nick Leeson's activities is, after all, that high trading profits are rarely earned without incurring high risks..

And can Barings be a great buy for the Dutch bank ING, when the people in charge of this 233-year old institution appeared to convey the impression that their bonuses mattered a great deal more to them than the interests of depositors? Those clients that are still in the Barings camp must be feeling nervous, sore, or both. Other banks that eschewed capital intensive trading activity will also feel that their game plan has been vindicated so far.

ING's strategy in foreign markets, meanwhile, poses an interesting question for big commercial banks around the world. Investing heavily in basic banking businesa in emerging markets, as ING has done, may be risky. However, it is the kind of strategy that makes sense from the point of view of investors. Moreover, banks like Citicorp, which have invested heavily in countries with deficient branch banking systems, such as Brazil or Greece, have reaped a big harvest. Yet cross-border acquisitions in developed country markets have rarely delivered satisfactory returns.

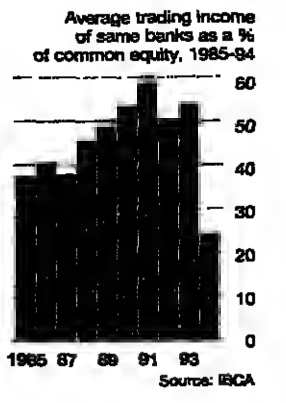
The point is highlighted by the mixed record of the British clearers over the years in the US. In a world without exchange controls, most fund managers would prefer to buy their exposure to the dollar and to the US banking market direct. If banks are failing to deliver the clear focus that institutional investors seek, perhaps the institutions should let the bankers know.

Trading places

Trading income of nine leading US banks as a % of common equity

	1985	1993	1994
JP Morgan	8.0	22.0	11.2
Citicorp	8.7	19.2	5.4
Bankers Trust	5.2	38.1	10.8
Lehman Brothers	6.6	127.0	36.5
Salomon	28.7	39.7	(15.9)
Paine Webber	76.8	65.2	35.9
Morgan Stanley	80.5	43.0	32.4
Merrill Lynch	38.3	55.2	42.4
Bear Stearns	88.9	76.3	62.4

Average trading income of same banks as a % of common equity, 1985-94



Source: IBCA

Total return in local currency to 9/3/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.12	0.04	0.09	0.10	0.19	0.11
Month	0.51	0.19	0.42	0.46	0.69	0.56
Year	4.56	2.25	5.44	5.92	5.19	5.25
Bonds 3-5 year						
Week	0.31	0.88	0.26	-0.81	-1.09	-0.23
Month	1.64	2.02	1.13	-0.55	-2.15	0.09
Year	2.56	4.97	3.64	0.73	0.55	1.31
Bonds 7-10 year						
Week	0.26	1.03	-0.23	-1.41	-2.37	-0.36
Month	2.03	2.90	0.36	-1.28	-5.74	-0.87
Year	1.59	5.37	0.54	-4.57	-8.71	-1.98
Equities						
Week	-0.4	-0.9	-5.1	-3.8	-3.8	-1.5
Month	0.6	-4.8	-4.7	-6.6	-10.6	-3.3
Year	7.1	-15.7	-6.2	-18.1	-4.4	-5.5

Source: Cash & Bonds - Lehman Brothers. Equities - NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

COMMODITIES

Coffee and cocoa restrictions

Coffee and cocoa producers both hold meetings this week to discuss production restrictions, but the status of producer pacts in the two markets could not be different.

While the Association of Coffee Producing Countries is widely credited with contributing to the strong rise in coffee prices last year with its limits on exports, the International Cocoa Organisation has as yet failed to implement its own output cutting plan.

ACPC countries meet today to discuss a new price level at which producers will begin withholding exports from the international market. Colombia and Brazil have differing views over the trigger point for export restraints.

Coffee producers have not held back exports for many months following last year's dramatic rise in prices, but some were worried by market weakness earlier this year. However, last week coffee prices rose to their highest level this year with the May futures contract at the London Commodity Exchange closing on Friday at $3,297 a tonne.

The ICCO meets this week to discuss the details of a plan to cut production by a total of 375,000 tonnes over the next fiva years.

The production management plan was due to come into force this year, but details of it have not yet been finalised. Market traders remain sceptical of the ICCO's ability to influence prices particularly as few countries show any enthusiasm to trim output while prices remain relatively firm.

Traders also worry that producers plan cuts from artificially-inflated levels of output which will render them ineffective. Prices dropped sharply on Thursday, but later recovered to more than £1,000 a tonne – a level the market has held for the past six months.

● European Union agriculture ministers began a three-day informal meeting in Toulouse yesterday to discuss farm policies in the light of the General Agreement on Tariffs and Trade deal and future enlargement of the EU to eastern Europe.

Economics Notebook / Peter Norman

Problems with exchange rates

The past month's ructions on the international currency markets have brought the word overshooting back into the vocabulary of finance ministers and central bankers.

The upheavals may not quite match those of the early 1970s when the Bretton Woods system of virtually fixed exchange rates broke up. Nor, apart from the yen, have we yet seen an excessive upward valuation of a currency to match the dollar's surge in the first half of the 1980s.

But in the past 30 months, a number of the world's leading currencies have experienced significant revaluations or devaluations. Tha changes have been large enough to worry policy makers.

It is not just the Japanese government that is screaming about loss of competitiveness.

The reshuffling of European currencies since the September 1992 crisis in the exchange rate mechanism has been extensive enough to excite concern about competitive devaluations in what is supposed to be a "zone of monetary stability". That was why Spain's partners blocked a 10 to 11 per cent devaluation of the peseta at the special European Union monetary committee meeting a week ago that settled on devaluations of 7 per cent and 3.5 per cent for the peseta and Portuguese escudo respectively.

Beyond Europe, there have been some striking changes. Although in recent weeks the Japanese yen and D-Mark have both been the prime targets of flight capital, the yen itself has risen by 35 per cent against the D-Mark in the past 30 months. Most of this sharp appreciation came between the ERM crises of September 1992 and August 1993 whan the D-Mark also fell sharply against the dollar.

Then there is the Mexican peso, down 55 per cent at one point last week since December's hungled devaluation. At 6.65 pesos to the dollar on Friday, the Mexican currency was valued far below its purchasing power parity (PPP), the theoretical exchange rate which eliminates the differences in price levels between two currencies. The Organisation for Economic Co-operation and Development calculates that the peso has a PPP of 1.90 pesos to the dollar.

There are also wide divergences between market rates and PPPs for the D-Mark and the yen. The OECD puts the PPP of the Japanese yen at about Y181 to the dollar, compared with Y91.24 last Friday in London, and the PPP of the D-Mark at DM2.11 against DM1.4145 on the exchanges.

Overshooting poses risks for trade, profits, investment and jobs. In the past it has prompted official action on a grand scale. The Bretton Woods collapse between 1971 and 1973 gava rise to the annual world economic summits, starting in November 1975.

Chronic dollar weakness in the late 1970s spawned the European Monetary System. The super-dollar of the 1980s prompted the Plaza Agreement of leading industrialised democracies to push the dollar's value lower, and an extended experiment with policy and exchange rate co-ordination that peaked in February 1987 with the Louvre Accord to stabilise currencies.

Policy makers have had 30 months of intermittent currency turmoil and growing misalignment to mull the situation on the foreign exchange markets. But apart from some half hearted and unsuccessful central bank intervention 10 days ago and a concerted effort to jawbone the US dollar back to health last week, there is little sign of any new initiative.

True, the central bank governors of the Group of Ten countries will be chewing over exchange rate developments at their regular monthly meeting in Basle today. Senior G7 finance ministry officials also meet in Paris this week. But it is difficult to see what scope there is for decisive action on the currency front.

Mr Masayoshi Takemura, the Japanese Finance Minister, admitted as much on Friday, when he said it would not be easy for the G7 to co-ordinate macroeconomic policies such as interest rates for the sake of currency stability.

There are national priorities in economic policy making that are difficult to reconcile. That is one reason why Mr John Major, the UK prime minister, repeated last week that the UK would not be hurrying back to the ERM.

There is also bad blood in the G7, with European countries still smarting after the US steam-rollered them into a $50bn rescue package for Mexico last month.

But the real problem is that conditions are far less propitious for joint action to control currencies than before.

Governments have done an excellent job of offloading their debt, and the exchange risk attached to that debt, on to international investors over the past decade. What distinguishes such investors is their risk aversion.

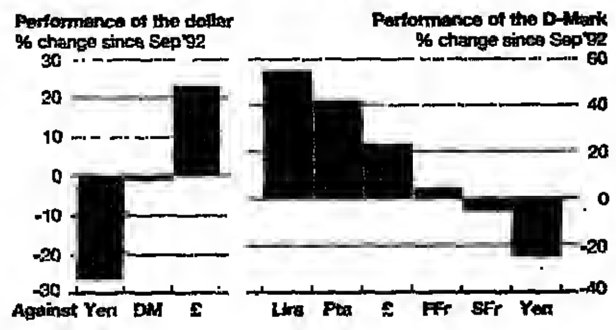
They look very hard at countries and their policies and do not hesitate to switch funds on a large scale at a moment's notice.

Such investment flows are by definition unsentimental. They take no account of the fact that most governments are pursuing sound counter inflationary policies with a zeal that would have been inconceivable 20 years ago. They give no credit to countries that are trying hard to put sound policies in place but failing to keep up with the strongest. One outcome can be currency turmoil.

Viewing recent events on the currency markets, it is hard to believe that the industrialised world is in the midst of a promising economic recovery with underlying consumer price inflation at its lowest since 1961.

The recovery is a fact that individual investors must welcome. However, their hypercritical collective approach to the performance of individual nations is risking the recovery's destruction.

Currencies start to overshoot



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 12.03.95: Pool purchase price £/MWh	Final Prices for Trading on 12.02.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	14.94	9.08	9.08
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.03.95: Pool purchase price £/MWh	Final Prices for Trading on 13.02.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.78	8.85	8.85
[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 10 1995: US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	THURSDAY MARCH 9 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	161.45	-5.9	151.38	93.12	116.73	144.04	-2.1	4.13	161.07	147.51	92.18	116.43	144.58	180.82	157.95	173.63
Austria (16)	187.35	2.5	175.64	108.05	137.77	137.75	-6.4	1.18	181.39	175.27	109.50	138.34	138.32	198.89	167.46	190.10
Belgium (35)	172.97	2.7	162.18	99.76	127.20	124.90	-5.5	4.43	174.19	159.52	99.66	125.91	124.18	177.04	161.53	170.55
Brazil (26)	105.59	-35.5	98.99	60.90	77.65	171.32	-32.7	1.98	86.06	78.81	49.24	62.21	140.35	-	-	-
Canada (103)	128.36	-0.6	120.33	74.03	94.39	130.75	-0.5	2.67	127.00	116.31	72.67	91.80	130.07	141.01	120.54	135.82
Denmark (33)	256.42	1.8	240.38	147.89	188.56	198.44	-4.8	1.58	256.52	234.92	146.77	185.42	198.75	275.27	236.61	271.89
Finland (24)	179.58	-3.4	168.34	103.58	132.05	168.14	-10.2	1.36	182.24	166.89	104.27	131.73	165.04	201.41	133.88	152.56
France (101)	162.74	-0.5	152.57	93.86	119.68	128.52	-6.1	3.38	164.18	150.37	93.94	118.59	127.54	181.44	157.79	177.08
Germany (56)	147.84	4.3	138.60	85.27	108.72	108.72	-4.8	1.96	151.00	138.28	86.40	109.15	108.15	154.61	132.08	136.31
Hong Kong (56)	325.32	-0.2	304.99	187.63	239.24	322.91	-0.3	4.10	330.14	302.34	188.89	238.65	327.66	416.42	277.40	413.09
Ireland (16)	205.55	-0.3	192.71	118.55	151.16	183.30	-2.6	3.61	209.59	191.95	119.92	151.51	168.15	217.10	177.56	192.65
Italy (58)	70.08	-6.6	65.70	40.42	51.53	87.69	-3.5	1.77	71.50	65.48	40.91	51.69	88.15	97.78	67.25	75.82
Japan (484)	145.47	-7.9	136.39	83.90	106.98	83.90	-15.2	0.91	148.70	136.18	85.08	107.49	85.08	170.10	136.95	153.29
Malaysia (97)	465.34	-2.9	436.26	268.38	342.21	457.45	-3.0	1.86	474.70	434.73	271.81	343.15	465.83	594.76	398.16	486.65
Mexico (18)	748.60	-47.1	701.62	431.74	550.50	5442.87	-28.5	2.00	647.81	593.26	370.65	468.27	6276.73	2414.12	647.81	2210.03
Netherland (19)	227.76	4.7	213.53	131.36	167.49	165.09	-4.2	3.69	229.83	210.48	131.50	166.14	164.02	232.41	191.28	202.90
New Zealand (14)	72.64	3.1	68.11	41.90	53.42	89.53	2.0	4.94	73.04	66.89	41.79	52.80	80.07	77.20	62.05	69.22
Norway (23)	203.53	-4.5	190.81	117.36	149.67	174.31	-10.9	2.25	202.76	185.69	116.01	146.56	171.28	218.03	177.53	201.67
Singapore (44)	349.57	-6.3	327.73	201.62	257.09	229.09	-8.6	1.87	353.86	324.08	202.48	255.79	230.90	401.38	294.66	323.04
South Africa (59)	326.97	-2.9	306.54	188.56	240.45	264.07	-11.6	2.58	318.91	292.06	182.46	230.52	263.83	342.00	205.55	269.88
Spain (38)	124.89	-5.4	117.09	72.03	91.84	122.95	-8.5	4.62	125.69	115.11	71.92	90.86	122.01	150.21	124.87	145.90
Sweden (46)	236.81	1.6	222.01	136.58	174.15	252.45	-1.7	2.09	236.03	216.15	135.05	170.62	248.20	247.40	198.70	220.57
Switzerland (47)	171.94	4.1	161.20	99.17	126.44	125.98	-6.0	1.94	174.93	160.20	100.09	126.45	125.54	179.86	149.91	184.45
Thailand (46)	134.21	-15.2	125.82	77.40	98.69	129.18	-18.2	3.29	138.23	126.59	79.09	99.92	132.91	-	-	-
United Kingdom (204)	193.41	-0.7	181.38	111.55	142.24	161.33	-1.5	4.44	196.01	179.50	112.15	141.69	179.50	205.58	181.11	199.78
USA (512)	200.26	5.7	187.74	115.50	147.27	200.26	8.7	2.83	197.66	181.02	113.09	142.88	197.66	200.26	178.66	188.84
Americas (661)	182.97	5.0	171.45	105.47	134.45	153.61	5.3	2.81	180.09	164.92	103.04	130.17	151.42	-	-	-
Europe (720)	169.83	0.4	159.03	97.53	124.74	144.49	-4.1	3.33	171.84	157.37	98.32	124.22	143.82	176.01	160.59	170.54
Nordic (126)	226.46	0.9	212.31	130.61	166.53	202.50	-3.8	1.89	226.50	207.42	129.59	163.72	199.72	235.72	197.70	214.80
Pacific Basin (809)	153.21	-6.6	143.63	88.36	112.67	98.44	-13.4	1.30	156.34	143.19	89.45	113.01	94.72	176.86	145.99	169.04
Euro-Pacific (1529)	159.95	-3.7	149.96	92.25	117.63	113.06	-9.5	2.19	162.70	149.00	93.09	117.61	113.82	175.14	154.73	166.01
North America (616)	195.81	6.3	183.57	112.93	143.99	195.64	6.3	2.82	193.28	177.01	110.59	139.72	193.06	195.81	178.67	185.36
Europe Ex. UK (516)	152.94	1.1	143.38	88.20	112.47	123.47	-5.3	2.69	154.90	141.86	88.66	111.97	123.01	156.18	144.12	151.30
Pacific Ex. Japan (325)	229.72	-3.6	215.37	132.49	168.94	202.53	-2.9	3.42	232.25	212.70	132.89	167.89	204.84	273.13	211.19	257.88
World Ex. US (1737)	160.20	-4.2	150.18	92.39	117.81	116.10	-8.7	2.21	162.42	148.74	92.93	117.40	116.60	176.65	155.42	167.55
World Ex. UK (2045)	170.16	-0.5	159.55	98.18	125.16	136.79	-4.3	2.23	170.68	156.31	97.56	123.37	136.56	178.59	163.46	171.02
World Ex. Japan (1765)	188.16	2.8	176.40	108.52	138.37	176.16	0.8	3.04	187.55	171.76	107.31	135.57	174.55	192.00	178.34	186.21
The World Index (2249)	172.24	-0.5	161.47	99.34	126.66	140.76	-4.1	2.44	172.81	158.35	98.93	124.96	140.39	180.80	165.92	173.66

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Constituent change during the week ending 10/3/95: Deletion: Network Systems Corp. (USA)

EMERGING MARKETS: This Week

The Emerging Investor / Vincent Boland in Prague

Floor needed to keep prices in Czech

Size is not everything, as traders in the Prague stock market can testify.

In the dealing room at Wood & Co Securities, the city's biggest stockbroker, traders are on the phone to reluctant investors in Czech equities. Mr Alex Angell, head of trading, asks his colleagues if there are buyers for 3,000 shares of CEZ, the monopoly electricity generator, at Kc1,100 ($42).

"Too expensive," one replies. "It's possible at Kc1,095. Maybe."

Mr Angell is frustrated. What the Prague market needs, he observes a little later, is an inter-dealer network which will tell him at a glance what other brokers and investment privatisation funds, who are the exchange's members, are offering. Both the official exchange and its smaller sister market, the RM-System, are on-line, high-tech operations, but neither has set up such a network yet.

For now, in a market where share prices are desperately looking for a support level, it could take him 15 telephone calls before he matches a seller with a buyer. "It's almost random if you can make a trade," he notes.

On March 1, when shares in companies included in the second, and probably final round of mass privatisation became publicly tradeable, the Czech bourse became the biggest in post-communist eastern Europe, with about 1,800 quoted issues.

Investors had hoped that this landmark event would help end a long slump in share prices, stretching back almost a year. Few expected it, however, so when the rally failed to materialise it was disappointing but not surprising.

With the market shrouded in a fog of unenforced rules and a lack of liquidity and transparency, some brokers feared that

It could take 15 telephone calls before a trader matches a seller with a buyer

the addition of new issues, in the short term, would only increase the market's technical woes.

Since January 5, the HN-Wood index of leading stocks has fallen by 27.5 per cent, to 1,255. This follows a prolonged fall in prices during most of 1994 from the index's peak on February 1 last year at 3,805. Last Thursday share prices posted their 14th straight decline. As Mr George Collins, chairman of CS First Boston Investment Management in Prague, observes: "Nobody knows where the floor is."

Wood & Co forecast an average price/earnings ratio for the 30 shares in the HN-Wood index of 11.9 for 1995, when the index stood at 1,414. This compared to an estimated p/e of 16.3 in 1994 and 18.5 in 1993.

Even this year's prospective p/e may now be viewed as expensive. "When shares were trading at 20 investors were looking to buy at 12," Mr Angell says. "Now shares are at 12 and investors want to buy at 7."

The addition of about 860 second wave stocks failed to spark a rally because, brokers say, there were too few quality companies and in most cases the official starting price was too high, inviting prices to fall. This was in spite of the market debut of SPT Telecom, the state telephone company, currently the subject of an international tender and set to become a bellwether stock on the market.

SPT shares were priced at Kc3,000 at the opening. During the privatisation process, however, some IPFs, notably those managed by Harvard Capital & Consulting, a big fund manager, had built up big positions in the stock and were sellers on opening day. This set the tone for subsequent trading, and SPT shares are currently down to about Kc2,400.

Until the start of dealing in shares of SPT, trading was heavily concentrated in the shares of two companies sold in the first wave of coupon privatisation – CEZ and Komercni Banka, the biggest commercial bank. In the first two months of 1995, turnover in these two shares accounted for 42 per cent of the total on the official market, according to figures from ING (CR) Capital Markets in Prague.

If share prices are to stage a rally, it could stem from foreign investor interest in SPT. Mr Karel Ružička, ING's head of trading, says a rise in SPT shares "would be good for the market as a whole". But SPT shares were hit 10 days ago by a court ruling that ordered the

Daily volume has settled at about $15m with 80 per cent over-the-counter

international tender to be halted.

The government is appealing and says that it is confident that the decision will be overturned. The ruling was delivered after a complaint by Telis, a Czech telecommunications company, alleging that it was unfairly excluded from the tender.

Offers for the stake have been made by five international telecommunications groups and consortia.

Nevertheless the court order has sent a negative signal to foreign investors. "Uncertainty breeds indecision among fund managers," says Mr Ian Kennedy, head of emerging market equities at Nomura International in London. Local investors, hampered by low liquidity and hit by the collapse in share prices, are looking to foreign buyers to return to help push prices higher.

Daily trading volume has settled at about $15m, of which up to 80 per cent is over-the-counter trading which is often not reported for days after deals are struck. Published prices sometimes bear little relation to prices struck in OTC trading, leading to a serious lack of transparency that keeps many investors, especially highly regulated institutions such as US mutual funds, out of the market.

"Both liquidity and transparency are keeping important investors out of the market," says Mr Angell. Brokers have agreed a voluntary code to report OTC transactions when they are struck, to ensure that this activity is made public.

Economic performance suggests the Czech stock market should be doing much better. Last year the country registered positive economic growth for the first time since the fall of communism, and gross domestic product is expected to expand by up to 4 per cent in 1995.

Some foreign investors do see long term value in the market. Mr Kennedy says that at current levels some small and medium sized companies are quite attractive. Without giving specific examples, he says such companies are first-wave stocks. For now, however, he is recommending an underweight position in Czech stocks.

News round-up

■ Brazil

Brazil's Planning Minister, Mr Jose Serra, said the government had initiated a study which should lead to the sale of Cia Vale Do Rio Doce, the state-owned mining companyt. Private consultants have estimated that CVRD is worth between $5bn and $8bn.

■ Latvia

Balta Insurance, the market leader in Latvian non-life insurance with a 53 per cent share, should be the first Latvian company to come to the market when the Latvian stock exchange is fully functional, expected to be from May 1 next. Nomura International highlights Balta's attractions, which include an offer price below book value and a low p/e, in a current circular.

■ Indonesia

The Jakarta Stock Exchange has completed drawing up regulations for the trading of warrants and is now awaiting approval from Bapepam, Indonesia's capital market supervisory agency. Derivatives, such as futures or index options, are not part of the exchange's plans.

■ Colombia

A resolution recently issued by Colombia's Securities Superintendency, obliging companies to consolidate their annual results and to divulge information they have long held secret, is expected to pull Colombia's stock market out of the doldrums and push it to new heights once interest rates come down.

■ Egypt

Victoria United Hotels, which owns a five-star hotel in the Sinai resort of Sharm al-Sheikh, is raising E£70m ($20.6m) by offering seven-year corporate bonds at an interest rate linked to treasury bills. The company is only the second to offer corporate bonds in Egypt since the 1950s.

■ Thailand

The Stock Exchange of Thailand is to lower the threshold for the enforced sale of shares bought on margin, in an effort to alleviate a decline in the stock market. Under the new rules investors will be forced to raise fresh cash if the value of their investments falls to 25 per cent of the original. Previously this figure was 35 per cent. The relaxation came into effect last week, and will last for nine months.

■ Turkey

The Istanbul Stock Exchange said it would open a young companies' market next month, for newly established and promising companies seeking to raise funds.

■ Asia Pacific

In Amsterdam last week, the president of the Philippines, Mr Fidel Ramos sought to allay foreign investors' fears of instability in emerging markets and said the Asia-Pacific region had not suddenly become a black hole of risk. He added that the current rapid growth in developing countries was more sustainable than in the past because it was based on sound domestic policies rather than on foreign capital.

■ Philippines

The Philippine Stock Exchange has approved a rule imposing penalties on inactive members. It has 24 inactive seats in a total of 185. The members concerned will be given a year to commence operations. Failure to do so will incur a penalty of 50,000 pesos per month. Several foreign brokers are said to be willing to buy PSE seats if inactive members choose to sell.

Further coverage of emerging markets appears daily on the World Stock Markets page.

Baring Securities emerging markets indices

Index	10/3/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (301)	117.15	-11.54	-8.97	-22.48	-16.10	-40.89	-25.87
Latin America							
Argentina (20)	53.62	-5.30	-9.00	-25.46	-32.19	-32.49	-37.73
Brazil (21)	106.57	-41.96	-28.25	-61.89	-36.74	-102.80	-49.10
Chile (12)	157.62	-26.39	-14.34	-39.42	-20.00	-53.94	-25.50
Mexico (25)	51.90	-3.31	-6.00	-19.50	-27.31	-45.73	-46.84
Peru(16)	558.03	-88.27	-13.66	-87.09	-13.50	-290.64	-34.25
Latin America (94)	78.63	-15.91	-16.83	-33.75	-30.03	-60.14	-43.33
Europe							
Greece (16)	86.67	-0.25	-0.29	+3.41	+4.10	-0.32	-0.37
Portugal (16)	120.76	-0.84	-0.69	+4.72	+4.07	+4.49	+3.86
Turkey (21)	83.62	+6.06	+7.81	+13.53	+19.30	+7.51	+9.86
Europe (55)	101.25	+1.32	+1.32	+6.88	+7.29	+3.55	+3.63
Asia							
Indonesia (26)	122.85	-7.94	-6.06	-7.18	-5.52	-10.83	-8.10
Korea (23)	133.15	+5.93	+4.66	+6.58	+5.20	-6.73	-4.81
Malaysia (23)	207.03	-9.13	-4.22	-8.07	-3.75	-3.83	-1.81
Pakistan (11)	91.54	+0.90	+1.00	-3.94	-4.13	-14.66	-13.80
Philippines (12)	222.41	-19.49	-8.06	-43.45	-16.34	-59.71	-21.17
Thailand (25)	226.08	-13.51	-5.64	-18.53	-7.57	-25.56	-10.16
Taiwan (32)	168.02	-0.18	-0.10	+0.13	+0.08	-16.13	-8.76
Asia (152)	195.13	-6.96	-3.18	-8.25	-4.06	-15.49	-7.35

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES / Philip Gawith

Currency turbulence set to continue

Foreign exchanges experienced their most volatile bout of trading last week since the tensions in the European exchange rate mechanism in the summer of 1993.

Trading was more stable on Thursday and Friday, but it would be optimistic to think that the market turbulence is a thing of the past.

The mood in the markets remains nervous following the speed of last week's move. Many investors and traders are doubtful whether the D-Mark can sustain its recent gains.

The main problem is finding a reason why current trends should be reversed. The conventional wisdom, endorsed by recent events, is that central bank intervention can only be effective if backed by supportive policy changes.

So far central banks have supported the dollar with their money, unsuccessfully, and with their words, with moderate success. Now the feeling is that action rather than words must be forthcoming.

Currencies will be discussed at a high level at least twice this week: when central bank governors from the Group of 10 leading industrial nations hold their regular monthly meeting in Basle today and in Paris tomorrow and on Wednesday when Working Party Three of the Organisation for Economic Co-operation and Development gathers to discuss monetary, fiscal and exchange rate policies.

While the market will be waiting more in hope than expectation for some sort of co-ordinated interest rate move to emerge from these discussions, it will at least have some data to look et. In the US February inflation and retail sales figures are due for release.

The dominant view in the market is that the dollar will benefit from strong economic data, which raise the prospect of the Fed raising interest rates again, perhaps as soon as the FOMC meeting on March 28. But given the dollar's fairly tepid response to the strong payrolls data last Friday, this view needs to be treated with some caution.

Markets will also be watching developments in Latin America closely. Both the Brazilian and Mexican currencies weakened last week and troubles in that part of the world are bad news for the dollar.

The South African rand will also be e keen focus of attention. Today sees the first day of trading of the new merged currency, following the announcement on Friday that the financial rand would be scrapped. Expectations are that it will trade at about R3.70 to the dollar. Investors and anthorities will monitor closely the extent of capital flight.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 10, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5476.45	3463.03	2448.24	3795.52
Albania	(Lek)	158.915	100.490	71.0428	110.138
Algeria	(Dinar)	67.1306	42.4500	30.0106	46.5257
Andorra	(French Fr)	7.9815	5.0346	3.5593	5.5180
	(Sp Peseta)	205.497	129.950	91.8699	142.427
Angola	(New Kwanza)	916589.6	579580.0	409748.3	635295.6
Antigua	(E Carr $)	4.2698	2.7000	1.9088	2.9592
Argentina	(Peso)	1.5837	1.0015	0.7080	1.0977
Armenia	(Dram)	632.5610	400.000	282.786	438.404
Aruba	(Florin)	2.8307	1.7900	1.2655	1.9619
Australia	(Aus $)	2.1212	1.3414	0.9483	1.4702
Austria	(Schilling)	15.7457	9.9571	7.0393	10.9131
Azerbaijan	(Manat)	6973.99o	4410.00	3117.71	4833.41
Azores	(Port Escudo)	235.574	148.970	105.316	163.273
Bahamas	(Bahama $)	1.5814	1	0.7070	1.0960
Bahrain	(Dinar)	0.5962	0.3770	0.2665	0.4132
Balearic Is	(Sp Peseta)	205.497	129.950	91.8699	142.427
Bangladesh	(Taka)	62.7006	39.6500	28.0311	43.4568
Barbados	(Barb $)	3.1807	2.0113	1.4219	2.2044
Belarus	(Rouble)	18455.0o	11670.0	8250.27	12790.4
Belgium	(Belg Fr)	46.3020	29.2800	20.6998	32.0912
Belize	(B $)	3.1628	2.0000	1.4139	2.1920
Benin	(CFA Fr)	796.150	503.460	355.928	551.798
Bermuda	(Bermudian $)	1.5814	1	0.7070	1.0960
Bhutan	(Ngultrum)	50.2158	31.7550	22.4496	34.8038
Bolivia	(Boliviano)	7.4877	4.7350	3.3475	5.1896
Botswana	(Pula)	4.3209	2.7323	1.9316	2.9946
Brazil	(Real)	1.3940	0.8815	0.6232	0.9661
Brunei	(Brunei $)	2.2487	1.4220	1.0053	1.5585
Bulgaria	(Lev)	102.782	64.9940	45.9484	71.2341
Burkino Faso	(CFA Fr)	796.150	503.460	355.928	551.798
Burma	(Kyat)	8.7241	5.5167	3.9001	6.0464
Burundi	(Burundi Fr)	376.200	237.890	168.180	260.730
Cambodia	(Riel)	4151.18	2625.00	1855.78	2877.05
Cameroon	(CFA Fr)	796.150	503.460	355.928	551.798
Canada	(Canadian $)	2.2246	1.4068	0.9946	1.5419
Canary Is	(Sp Peseta)	205.497	129.950	91.8699	142.427
Cp. Verde	(CV Escudo)	131.209	82.9700	58.6568	90.9360
Cayman Is	(CI $)	1.3097	0.8282	0.5855	0.9077
Cent. Afr. Rep	(CFA Fr)	796.150	503.460	355.928	551.798
Chad	(CFA Fr)	796.150	503.460	355.928	551.798
Chile	(Chilean Peso)	649.540	410.750	290.385	450.186
China	(Yuan)	13.3247	8.4261	5.9569	9.2351
Colombia	(Col Peso)	1369.57	866.075	612.284	949.227
CIS ‡	(Rouble)	1.0990b	0.6951	0.4631	0.7150
	(Rouble)	7408.87m	4685.00	3312.12	5134.81
Comoros	(Fr)	591.464	374.025	264.422	409.935
Congo	(Brazz) (CFA Fr)	796.155	503.460	355.928	551.798
Costa Rica	(Colon)	269.266	170.270	120.375	186.615
Côte d'Ivoire	(CFA Fr)	796.150	503.460	355.928	551.798
Croatia	(Kuna)	7.9915	5.0534	3.5726	5.5386
Cuba	(Cuban Peso)	1.5814	1	0.7070	1.0960
Cyprus	(Cyprus £)	0.7137	0.4513	0.3191	0.4946
Czech Rep.	(Koruna)	41.4122	26.1870	18.5133	28.7012
Denmark	(Danish Krone)	8.9981	5.6901	4.0227	6.2364
Djibouti Rep	(Djib Fr)	281.047	177.720	125.642	194.783
Dominica	(E Carib $)	4.2698	2.7000	1.9088	2.9592
Dominican Rep	(D Peso)	21.7127	13.7300	9.7066	15.0482
Ecuador	(Sucre)	3786.67o	2394.50	1692.62	2624.40
	(Sucre)	3787.46a	2395.00	1693.15	2624.95
Egypt	(Egyptian £)	5.3826	3.4038	2.4064	3.7306
El Salvador	(Colon)	13.8373	8.7500	6.1859	9.5901
Equat'l Guinea	(CFA Fr)	796.150	503.460	355.928	551.798
Estonia	(Kroon)	17.7628	11.2320	7.9408	12.3104
Ethiopia	(Ethiopian Birr)	8.8559	5.6000	3.9590	6.1377
Falkland Is	(Falk £)	1	0.6324	0.4470	0.6931
Faroe Is	(Danish Krone)	8.9981	5.6901	4.0227	6.2364
Fiji Is	(Fiji $)	2.2179	1.4025	0.9915	1.5372
Finland	(Markka)	6.9720	4.4089	3.1169	4.8322
France	(Fr)	7.9815	5.0346	3.5593	5.5180
Fr. Cty/Africa	(CFA Fr)	796.155	503.460	355.928	551.798
Fr. Guiana	(Local Fr)	7.9815	5.0346	3.5593	5.5180
Fr. Pacific Is	(CFP Fr)	143.390	90.6725	64.1022	99.3781
Gabon	(CFA Fr)	796.150	503.460	355.928	551.798

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	15.3792	9.7250	6.8752	10.6587
Germany	(D-Mark)	2.2368	1.4145	1	1.5503
Ghana	(Cedi)	1660.47	1050.00	742.312	1150.81
Gibraltar	(Gib £)	1	0.6324	0.4470	0.6931
Greece	(Drachma)	363.078	229.600	162.319	251.644
Greenland	(Danish Krone)	8.9981	5.6901	4.0227	6.2364
Grenada	(E Carr $)	4.2698	2.7000	1.9088	2.9592
Guadeloupe	(Local Fr)	7.9815	5.0346	3.5593	5.5180
Guam	(US $)	1.5814	1	0.7070	1.0960
Guatemala	(Quetzal)	8.9566	5.6637	4.0040	6.2075
Guinea	(Fr)	1604.40	1014.54	717.243	1111.95
Guinea-Bissau	(Peso)	24304.6	15369.0	10865.3	16844.6
Guyana	(Guyanese $)	225.350	142.500	100.742	156.182
Haiti	(Gourde)	30.0467	19.0000	13.4323	20.8242
Honduras	(Lempira)	14.2326	9.0000	6.3627	9.8641
Hong Kong	(HK $)	12.2259	7.7313	5.4657	8.4736
Hungary	(Forint)	177.981	112.550	79.5688	123.356
Iceland	(Icelandic Krona)	101.289	64.0500	45.2810	70.1995
India	(Indian Rupee)	50.2155	31.7550	22.4496	34.8038
Indonesia	(Rupiah)	3520.88	2226.50	1574.05	2440.27
Iran	(Rial)	2765.87	1749.00	1236.48	1916.92
Iraq	(Iraqi Dinar)	0.9489	0.6000	0.4242	0.6576
Irish Rep	(Punt)	1.0008	0.6329	0.4474	0.6936
Israel	(Shekel)	4.7426	2.9991	2.1200	3.2870
Italy	(Lira)	2649.55	1675.50	1184.52	1836.37
Jamaica	(Jamaican $)	50.7630	32.1000	22.6935	35.1819
Japan	(Yen)	144.282	91.2400	64.5034	100
Jordan	(Jordanian Dinar)	1.0880	0.6880	0.4864	0.7541
Kenya	(Kenya Shilling)	69.6924	44.0700	31.1558	48.3012
Kiribati	(Australian $)	2.1212	1.3414	0.9483	1.4702
Korea North	(Won)	3.4000	2.1500	1.5200	2.3564
Korea South	(Won)	1234.86	780.850	552.103	855.929
Kuwait	(Kuwaiti Dinar)	0.4683	0.2961	0.2093	0.3245
Laos	(New Kip)	1152.84	729.000	515.377	798.992
Latvia	(Lats)	0.8473	0.5358	0.3788	0.5873
Lebanon	(Lebanese £)	2589.46	1637.50	1157.65	1794.72
Lesotho	(Maluti)	5.7759	3.6525	2.5822	4.0032
Liberia	(Liberian $)	1.5814	1	0.7070	1.0960
Libya	(Libyan Dinar)	0.5687	0.3596	0.2542	0.3941
Liechtenstein	(Swiss Fr)	1.8689	1.1818	0.8355	1.2953
Lithuania	(Litas)	6.3256	4.0000	2.8278	4.3841
Luxembourg	(Lux Fr)	46.3020	29.2800	20.6999	32.0912
Macao	(Pataca)	12.6318	7.9877	5.6470	8.7546
Madagascar	(MG Fr)	5756.31	3640.00	2573.35	3989.48
Madeira	(Port Escudo)	235.574	148.970	105.316	163.273
Malawi	(Kwacha)	24.1552	15.2745	10.7985	16.7410
Malaysia	(Ringgit)	4.0364	2.5525	1.8045	2.7976
Maldive Is	(Rufiya)	18.6131	11.7700	8.3210	12.9001
Mali Rep	(CFA Fr)	796.150	503.460	355.928	551.798
Malta	(Maltese Lira)	0.5571	0.3523	0.2490	0.3861
Martinique	(Local Fr)	7.9815	5.0346	3.5593	5.5180
Mauritania	(Ouguiya)	203.005	128.370	90.7529	140.695
Mauritius	(Maur Rupee)	27.3425	17.2900	12.2234	18.9500
Mexico	(Mexican Peso)	10.5161	6.6500	4.7013	7.2885
Miquelon	(Local Fr)	7.9815	5.0346	3.5593	5.5180
Monaco	(French Fr)	7.9815	5.0346	3.5593	5.5180
Mongolia	(Tugrik)	651.475	411.960	291.241	451.513
Montserrat	(E Carr $)	4.2698	2.7000	1.9088	2.9592
Morocco	(Dirham)	13.3968	8.4727	5.9899	9.2862
Mozambique	(Metical)	11228.0	7100.00	5019.44	7781.67
Namibia	(S A Rand)	5.7759	3.6525	2.5822	4.0032
Nauru Is	(Australian $)	2.1212	1.3414	0.9483	1.4702
Nepal	(Nepalese Rupee)	78.1213	49.4000	34.9240	54.1429
Netherlands	(Guilder)	2.5115	1.5882	1.1228	1.7407
N'nd Antilles	(A/Guilder)	2.8307	1.7900	1.2655	1.9619
New Zealand	(NZ $)	2.4447	1.5458	1.0928	1.6942
Nicaragua	(Gold Cordoba)	11.4277	7.2263	5.1087	7.9201
Niger Rep	(CFA Fr)	796.150	503.460	355.928	551.798
Nigeria	(Naira)	34.7897o	22.0000	15.5532	24.1122
	(Naira)	112.280m	71.0000	50.1944	77.8180
Norway	(Nor. Krone)	9.9780	6.3098	4.4608	6.9150
Oman	(Rial Omani)	0.6089	0.3850	0.2722	0.4220

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	48.7632	30.8491	21.8082	33.8108
Panama	(Balboa)	1.5814	1	0.7070	1.0960
Papua New Guinea	(Kina)	1.8837	1.1912	0.8421	1.3056
Paraguay	(Guarani)	3091.64	1955.00	1382.11	2142.70
Peru	(New Sol)	3.5676	2.2560	1.5949	2.4726
Philippines	(Peso)	40.7989	25.8000	18.2397	28.2771
Pitcairn Is	(£ Sterling)	1	0.6324	0.4470	0.6931
	(NZ $)	2.4447	1.5458	1.0928	1.6942
Poland	(Zloty)	3.7676	2.3825	1.6843	2.6112
Portugal	(Escudo)	235.574	148.970	105.316	163.273
Puerto Rico	(US $)	1.5814	1	0.7070	1.0960
Qatar	(Riyal)	5.7559	3.6398	2.5732	3.9892
Reunion Is. de la	(F/Fr)	7.9815	5.0346	3.5593	5.5180
Romania	(Leu)	2892.39	1829.00	1293.04	2004.60
Rwanda	(Fr)	210.548	133.140	94.1251	145.923
St Christopher	(E Carr $)	4.2698	2.7000	1.9088	2.9592
St Helena	(£)	1	0.6324	0.4470	0.6931
St Lucia	(E Carr $)	4.2698	2.7000	1.9088	2.9592
St Pierre	(French Fr)	7.9815	5.0346	3.5593	5.5180
St Vincent	(E Carr $)	4.2698	2.7000	1.9088	2.9592
San Marino	(Italian Lira)	2649.55	1675.50	1184.52	1836.37
Sao Tome	(Dobra)	2546.14	1610.05	1138.25	1764.63
Saudi Arabia	(Riyal)	5.9307	3.7504	2.6514	4.1105
Senegal	(CFA Fr)	796.150	503.460	355.928	551.798
Seychelles	(Rupee)	7.4358	4.7020	3.3241	5.1535
Sierra Leone	(Leone)	940.935	595.000	420.643	652.126
Singapore	($)	2.2487	1.4220	1.0053	1.5585
Slovakia	(Koruna)	46.3177	29.2890	20.7065	32.1011
Slovenia	(Tolar)	179.508	113.512	80.2489	124.410
Solomon Is	($)	5.2384	3.3131	2.3422	3.6312
Somali Rep	(Shilling)	4143.28	2620.00	1852.24	2871.55
South Africa	(Rand)	5.7759c	3.6525	2.5822	4.0032
	(Rand)	5.8431g	3.6950	2.6122	4.0496
Spain	(Peseta)	205.497	129.950	91.8699	142.427
Spanish Ports in N Africa	(Sp Peseta)	205.497	129.950	91.8699	142.427
Sri Lanka	(Rupee)	78.5299	49.6600	35.1078	54.4279
Sudan Rep	(Dinar)	60.8208	38.4600	27.1896	42.1526
Surinam	(Guilder)	662.609	419.000	296.218	459.228
Swaziland	(Lilangeni)	5.7759	3.6525	2.5822	4.0032
Sweden	(Krona)	11.3978	7.2072	5.0910	7.8928
Switzerland	(Fr)	1.8688	1.1818	0.8355	1.2953
Syria	(£)	65.2329	41.2500	29.1623	45.2104
Taiwan	($)	41.2808	26.1048	18.4551	28.6111
Tanzania	(Shilling)	825.549	522.000	369.180	572.358
Thailand	(Baht)	39.2175	24.8000	17.5327	27.1811
Togo Rep	(CFA Fr)	796.150	503.460	355.928	551.798
Tonga Is	(Pa'anga)	2.1212	1.3414	0.9483	1.4702
Trinidad/Tobago	($)	8.9603	5.6660	4.0191	6.2306
Tunisia	(Dinar)	1.5031	0.9505	0.6720	1.0418
Turkey	(Lira)	66294.2	41922.5	29637.7	45947.5
Turks & Caicos	(US $)	1.5814	1	0.7070	1.0960
Tuvalu	(Australian $)	2.1212	1.3414	0.9483	1.4702
Uganda	(New Shilling)	1446.98	915.000	646.872	1002.85
Ukraine	(Karbovanets)	204828.3	129520.0	91565.9	141955.3
U A E	(Dirham)	5.8075	3.6725	2.5963	4.0251
United Kingdom	(£)	1	0.6324	0.4470	0.6931
United States	(US $)	1.5814	1	0.7070	1.0960
Uruguay	(Peso Uruguayo)	9.3303	5.9000	4.1711	6.4665
Vanuatu	(Vatu)	177.269	112.100	79.2506	122.863
Vatican	(Lira)	2649.55	1675.50	1184.52	1836.37
Venezuela	(Bolivar)	268.490	169.785	120.032	186.086
Vietnam	(Dong)	17732.3	11213.0	7927.18	12289.6
Virgin Is-British	(US $)	1.5814	1	0.7070	1.0960
Virgin Is-US	(US $)	1.5814	1	0.7070	1.0960
Western Samoa	(Tala)	3.8770	2.4516	1.7332	2.6870
Yemen (Rep of)	(Rial)	18.9768o	12.0000	8.4836	13.1521
Yemen (Rep of)	(Rial)	132.838e	84.0000	59.3849	92.0640
Yugoslavia	(New Dinar) (1)	-	-	-	-
Zaire Rep	(Zaire)	5867.24	3710.16	2622.94	4066.26
Zambia	(Kwacha)	1257.22	795.000	562.036	871.326
Zimbabwe	($)	13.1946	8.3436	5.8967	9.1448

Special Drawing Rights March 9 United Kingdom £0.953124 United States $1.53758 Germany DM2.14877 Japan Y140.074 European Currency Unit Rates March 10 United Kingdom £0.818291 United States $1.30845 Germany DM1.85341 Japan Y119.749

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate(k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ; ‡ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4380/5.

Friday, March 10, 1995

WORLD BOND MARKETS: This Week

NEW YORK
Maggie Urry

The bond market largely shrugged off last week's dollar decline, with the yield on the long bond ending the week under 7.5 per cent.

This week, the market will again turn its gaze to the domestic economy, with a series of economic statistics due which will be picked over for signs of too rapid economic growth or rising inflation.

Friday's employment figures looked worrying to the market at first sight, with the unemployment rate down to 5.4 per cent in February, but the market found comfort in the fine print, suggesting it is in the mood to look on the bright side.

This week's figures include retail sales, due on Tuesday, which are expected to show a 0.2 per cent rise in February.

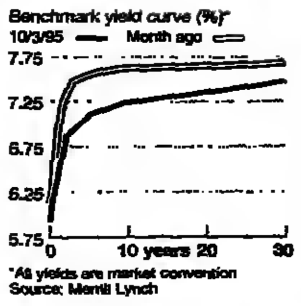
On Wednesday, the producer price index is expected to show a rise of 0.2 per cent in February and industrial production an increase of 0.3 per cent. Capacity utilisation is forecast at 85.6 per cent, up from 85.5 per cent in January.

On Thursday, the consumer price index will give the latest news on inflation, with the median forecast showing a 0.3 per cent increase, the same as in January.

The combination of statistics will give the market a better idea as to whether the next meeting of the Federal Reserve Open Market Committee on March 28 will raise interest rates again. The current betting is that it will not.

US

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

LONDON
Philip Coggan

Gilts face yet another difficult week, after their recent underperformance in the wake of political worries in the UK and the general flight to quality by investors.

Economic statistics, notably today's producer prices and Wednesday's retail sales and average earnings figures, could give the excuse for the market to sell off on inflationary fears.

The consensus forecast for average earnings, in particular, presumes an unchanged rate of 3.75 per cent but other measures have shown pay increases edging higher.

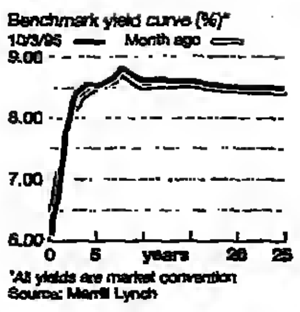
Gilts will also struggle to make progress while sterling is so weak. Having held up well against the US currency, the pound dropped sharply in Friday's late European trading against both the dollar and the D-Mark.

There is no sign that either the governor of the Bank of England or the chancellor of the exchequer is eager to raise rates to defend sterling but there may come a point when a rise is forced upon them by inflationary risks.

Eventually, says Mr Nigel Richardson of Yamaichi International (Europe), domestic investors will start to see value in gilt yields, which look attractive in real terms. But it will probably need an end to the current turmoil in currency markets, and an improvement in the fortunes of the Conservative party, before foreign investors can be tempted back into the market.

UK

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

FRANKFURT
Andrew Fisher

After months of waiting for signs of when the Bundesbank would start raising interest rates again to ward off inflation, markets are now wondering whether it will actually cut them in response to currency turmoil.

Since the reductions of last summer, rates have remained unchanged. The general expectation is that the Bundesbank will take no action at this Thursday's council meeting, although a move from fixed to variable rate repurchase agreements (repos) could be on the cards now or later.

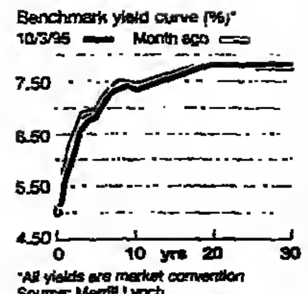
With the latest wage settlements at around 4 per cent, the Bundesbank would hardly find this an opportune moment to lower rates; its credibility would be at stake if it did. Nor do most economists think the time is yet ripe to raise them.

"Recent German wage settlements will encourage the Bundesbank to bring forward the first rise in interest rates to the third quarter," says Paribas Capital Markets.

The sharp rise in the D-Mark – now 8 per cent higher than its 1994 average – will dampen inflation, as well as restrain economic growth. But Paribas adds: "Currency gyrations which could prove temporary are unlikely to stay the Bundesbank's hand." It expects half point increases in the discount and Lombard rates from 4.5 per cent and 6 per cent respectively in September.

Germany

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

TOKYO
Emiko Terazono

While the recent rise in the yen threatens to undermine the fragile economic recovery, the release of gross national production figures for the October to December quarter of 1994 this week is likely to deepen the gloom.

While this will be positive for the bond market, the prospect of increased government bond supply to finance the reconstruction of earthquake-devastated Kobe and to cover the fall in tax revenues poses risks for investors.

Market participants are aware of such risks and although the No 174 10-year benchmark bond rallied strongly in the early part of last week, with the yield dipping below 4 per cent, it fell back in the latter half.

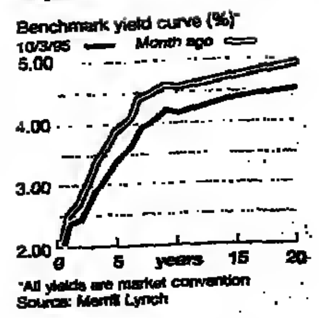
The duration of the current rally will depend on how long expectations of an easing of monetary policy persist. The yen's appreciation of more than 5 per cent last week has prompted business groups and some cabinet members to demand an ODR cut.

While the central bank is unlikely to respond to market speculation and political pressure, it may be forced to ease monetary policy if the current yen's strength prevails.

"If the yen/dollar rate is at Y90 or stronger in another month's time, the central bank will cut the ODR by 50 basis points," says Mr Jim Vestal, an economist at Barclays de Zoete Wedd.

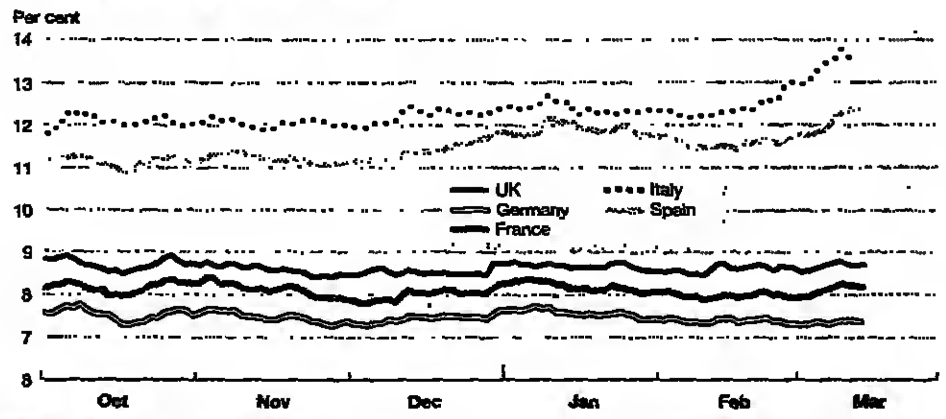
Japan

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	1.75	4.50	6.40'	8.25	6.75²
Overnight	5.88	2.19	4.81	7.63	9.68	4.00
Three month	5.95	2.12	4.93	8.12	10.37	6.65
One year	6.49	2.15	5.43	7.50	11.46	7.75
Five year	7.08	3.47	6.80	7.94	13.34	8.59
Ten year	7.24	4.13	7.35	8.17	13.50	8.65

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	103-10	103-29	+0-22	104-06	102-21	10,873	103,526
Jun	102-24	103-11	+0-22	103-20	102-02	315,198	280,502
Sep	102-11	102-29	+0-22	103-06	101-22	1,414	11,833

Emerging market debt

Shockwaves spread beyond Latin America

Turmoil in the world's emerging markets, triggered by the financial crisis in Mexico, has not been confined to Latin America. Countries like South Africa and Pakistan have felt the after-shocks of the stampede away from emerging market debt.

These two countries made their debut on international bond markets in December, days before the initial devaluation of the Mexican peso precipitated the crisis, and have seen the risk premiums on their debt rise sharply.

The yield spread on South Africa's $750m global bond, which stood at 193 basis points over US Treasuries when the bonds were launched, rose to around 300 basis points as the Mexico crisis intensified.

The spread on Pakistan's $150m of five-year eurobonds, 385 basis points over US Treasuries at launch, jumped to 600 points before falling back to around 450 points.

South Africa's borrowing costs have risen so sharply that many of its corporate borrowers have postponed their own debut international bonds.

Eskom, the state-owned electricity utility, for example, was forced to postpone its bond issue planned for earlier this year. It has turned instead to the international loans market – currently offering attractive borrowing opportunities due to aggressive competition among cash-rich banks – launching on Thursday a $100m five-year syndicated loan arranged by J.P. Morgan.

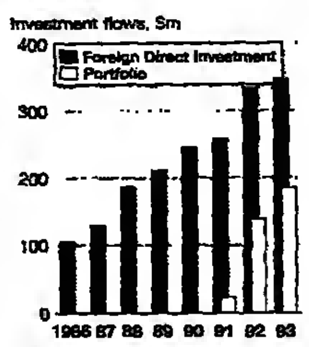
Other borrowers – such as Telkom, the state-owned telecommunications utility, several private companies, and the Republic itself – are also unlikely to return to the international bond market and pay over a percentage point more in yield terms than the benchmark set by the Republic.

Part of the reason for the jump in yields on South Africa's bond offering was the fact that it was increased from the initial issue size of $500m and priced at the lower end of the anticipated spread range.

"This led investors to suspect that there was a lot of unsold, unplaced paper around in the market, probably being held by the lead manager, and as a result they were unwilling to step in and buy," said one emerging market specialist.

That yields rose so much as South Africa was caught up in the emerging market turbulence is unfortunate, since its own domestic government bond market has performed quite well, even during last year's market conditions.

Pakistan



Source: OECD

Over the last year, yields have increased sharply – the yield on 10-year government bonds rose from below 12 per cent at the beginning of 1994 to close to 17 per cent by September – but this rise has been in line with most other countries. Since September, yields have stabilised below 17 per cent.

"Since last year's budget, the South African government bond market has performed extremely well compared with other markets globally," said Mr Peter Worthington, at J.P. Morgan in London. "Even in the last couple of weeks, when markets worldwide have suffered from currency pressures, the South African market has been strong."

In part, this reflectsgrowing confidence among investors in the new government's economic policies, in particular its attempts to reduce the budget deficit. Attention will focus on Wednesday's budget for further reassurance that the government is keeping tight control on its expenditures.

"A tight fiscal policy, together with the tight monetary policy already in effect, would likely boost local and foreign investor confidence," said Mr Eric Beinstein of J.P. Morgan.

Part of the bond market's relatively good performance can also be put down to South Africa's dual exchange rate mechanism, which may have cushioned the domestic market from external shocks.

However, as Mr Chris Liebenberg, the finance minister, announced on Friday, this dual mechanism is to be abolished from today, with the scrapping of the financial rand for foreign investors.

Some analysts question the timing of this move. They think the abolition of the financial rand, introduced in 1985 to prevent large outflows of foreign capital as sanctions were imposed on the country, could lead to pressure on the new unitary exchange rate and to a rise in bond yields.

Mr Worthington points to the current low level of foreign exchange reserves – currently around R12.5bn – and the uncertainty surrounding the coming local elections as possible sources of difficulty.

"Some foreign investors may seek to repatriate their capital," he said. He estimates that the potential pool of capital that could flee the country stands at between R140bn and R180bn. "At least some of this may try to leave the country, which may swamp the reserves," he said.

Pakistan's current problems are rather different to that of South Africa's. They centre around the domestic troubles the country is currently experiencing – highlighted last week by the shooting of two US nationals in the southern port city of Karachi.

"While it too has been caught in the general emerging market trend, there is also nervousness about the violent domestic political situation in Pakistan," said one London banker. "The violence has scared many potential investors and there is a lot of nervousness about Pakistan credit."

This, and the general bear trend in emerging markets, has severely restricted Pakistan's ability to borrow on international markets. It, like many developing countries, is now limited to relying largely on short-term bank loans.

This situation looks set to continue. Mexico and other countries in Latin America remain the focus for investors and, as one banker put it, "until stability has been regained in Latin America, emerging markets in general will remain out of favour".

Graham Bowley

French government bonds

Paris shrugs off currency turmoil

While the world's currencies went through turbulence last week, causing knock-on effects across global markets, one set of instruments was scarcely affected: French bonds.

"For the moment, the effects in France have mainly been focused on the exchange rate and on the money markets," said Mr Philippe Gndin, an economist with Goldman Sachs. "The bond market has been surprisingly unaffected."

The yield spread of the 10-year bond over its German counterpart widened slightly during the week but had fallen back to 8 basis points on Friday. "Historically, that is not an unusual spread," Mr Gudin said.

"There was some weakening early on Wednesday but it only lasted a few minutes," said Mr Dominique Barbet of Paribas. "The 10-year hardly moved. It behaved very well despite the currency turmoil."

Traditionally, bonds have tended to react far less to such short-term crises unless they are likely to have more fundamental long-term repercussions. Mr Gudin cites as an example a similar lack of impact on bonds with the crisis in the European monetary system in Europe in 1993.

In fact, Mr Barbet argues that the weaker franc last week might have even made French bonds more attractive to foreign investors, and points out that most non-domestic investors not interested in taking a long-term view have already withdrawn.

There is still a question about why the spread exists between German and French bonds, particularly given the growing prospects of economic recovery and no inflationary concerns.

The most important influences for bond investors tend to be fiscal policy and political events. While there is little scope for manoeuvre in the former, the latter are surrounded by uncertainty ahead of the first round of elections in late April in the race to succeed President François Mitterand.

Two weeks ago, Mr Edouard Balladur, the RPR prime minister, was the clear front-runner. Now the situation has changed drastically, as he has come under pressure following allegations of illegal phone-tapping by Mr Charles Pasqua, his interior minister, the handling of calls for the removal of US citizens accused of industrial espionage, and articles about his personal finances.

By contrast, Mr Jacques Chirac, his charismatic fellow RPR party member who was formerly prime minister and is now mayor of Paris, has jumped sharply ahead in the polls. "The trend has been reversed," says Mr Gudin. "Once the polls cross, they never cross back again."

"The political situation has changed but even so there has only been a widening of 10 to 20 basis points," says Mr Barbet. "The main reason is that investors do not really believe all the bad news," he added, in a reference to the traditional image of Mr Chirac as less fiscally conservative.

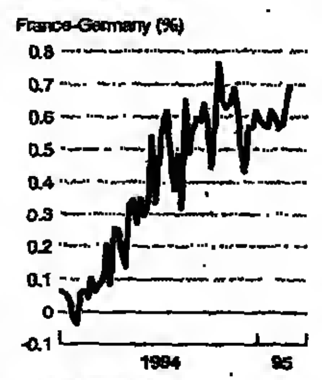
"It's quite obvious the French financial markets and economy are tied to others in the rest of the world and there is limited leeway for movement." He cites in particular the Maastricht guideline for public expenditure to fall to 3 per cent of GNP to achieve monetary union: an objective to which both candidates have committed themselves.

Mr Julian Jessop of HSBC says the only real political development likely to substantially boost uncertainty is if Mr Lionel Jospin, the socialist candidate, looks more likely to win the elections.

One other factor which could affect bonds is the role of the newly-independent Bank of France. "This status is so new that we still don't know how it will work," says one observer. But in the short-term, investors remain more focused on the race for the presidency.

Andrew Jack

Yield spread



Source: Datastream

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
HACCMT 1, 1995-1(c)‡	522	Aug.2000	(c1)	99-30+R	-	-	JP Morgan Securities
Ford Motor Credit Co.	200	Mar.1998	7.625	99.817R	7.696	+47(7¼%-98)	Lehman Brothers Asia
Mallinckrodt Companies(d)§	75	Mar.2003	7.00‡	100.00	-	-	NatWest Securities
YEN							
Republic of Ireland★	15bn	Apr.2005	4.50	100.15	4.481	-	Morgan Stanley Intl.
Sumitomo Bank, T1(n1)★‡	19.5bn	undated	(n2,4)	100.00	-	-	Daiwa Eur./ Sumitomo
Sumitomo Bank, T2(n1)★‡	14bn	undated	(n3,4)	100.00	-	-	Daiwa Eur./ Sumitomo
Sumitomo Bank, T3(n4)★‡	41bn	undated	(n5,4)	100.00	-	-	Daiwa Eur./ Sumitomo
Sumitomo Bank, T4(n6)★‡	25bn	undated	(n7)	100.00	-	-	Daiwa Eur./ Sumitomo
STERLING							
Alliance & Leicester B/S(p)‡	200	Apr.2000	(p1)	100.00	-	-	Lehman Brothers Intl.
D-MARKS							
Beta Finance Corp.‡	300	Mar.1998	(e)	100.10	-	-	Lehman Bros.Bankhaus
SE Banken(f)‡	400	Mar.1998	(f)	99.88R	-	-	Morgan Stanley/ SBG
Deutsche Ape. & Arzteebank‡	300	Apr.2000	(g)	100.00	-	-	WestLB
SWISS FRANCS							
ESRA(a,s)★	100	Dec.1999	5.75	101.85	-	-	Merrill Lynch Cap.Mkts.
Philip Morris Companies(h)	100	Apr.1999	5.50	102.50	4.798	-	Credit Suisse
Eurofima	250	Apr.2002	5.25	101.30	5.025	-	Swiss Bank Corp.
Sansin Electronics Co.(m)★§	90	Mar.1999	2.25	100.00	-	-	Swiss Bank Corp.
ITALIAN LIRE							
European Inv'ment Bank(b)	150bn	Mar.1999	10.80	97.84	10.50	-	BCI/CSFB/D'che/S.Paolo
Bayerische Hypobank(i)	150bn	Oct.1997	12.00	100.925	-	-	Swiss Bank Corp.
GECC(l)	150bn	Apr.1996	11.375	101.00	10.27	-	Swiss Bank Corp.
Council of Europe	100bn	Mar.1996	11.50	100.95	10.45	-	Lehman Brothers Intl.
GUILDERS							
Kingdom of Sweden	250	Apr.2002	7.50	99.50R	7.595	+30(8¼%-02)	ABN Amro Hoare Govt.
LUXEMBOURG FRANCS							
DSL Finance(k)	2.5bn	Dec.2001	8.00	102.60	7.50	-	Crédit Européen
Cragam Finance	2bn	Apr.2005	8.25	102.00	7.953	-	BIL
Genfinance Luxembourg	3bn	Apr.2003	(j)	102.10	7.77	-	BGL
Cerabank Luxembourg(k)	2bn	Mar.2002	8.00	102.10	7.60	-	BCEE/ Cerabank Lux.
AUSTRALIAN DOLLARS							
Kreditbank Intl. Finance	100	Apr.1998	10.00	101.125	9.551	-	Daiwa Europe
Treasury Corp. of Victoria★	100	Mar.1998	4.50‡	87.955	9.184	-	Nomura International
Volkswagen Intl. Finance★	100	Mar.2000	9.50‡	99.50	9.628	-	Nomura International
Commerzbank O'seas Finance	125	Apr.2000	10.25	101.365	9.891	-	Hambros Bank
PESETAS							
European Investment Bank(a)	25bn	Apr.2005	(o1)	101.475	-	-	BSN/ JP Morgan

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. ‡Semi-annual coupon and yield. R: fixed re-offer price. a) European Sovereign Repackaged Assets. Issue launched 27/2/95 was increased to SFr200m. b) Issue launched 7/2/95 was increased to L750bn. c) Household Affinity Credit Card Master Trust. Legal maturity: Sep.02. c1) 1-mth Libor +15bp. c2) Class B notes: $24m, 15/9/00, 99-23+, 7.70bn, T +56bp. d) 7-mth Libor flat. e) Callable on 8/4/98 at par. e1) 12.45% to 6/4/98 and 12¼% thereafter. f) Callable on coupon dates from Mar.97 at par. f1) 3-mth Libor +10bp. g) 6-mth Libor +¼%. h) Issue launched 1/3/95 was increased to SFr300m. i) Over interpolated yield. j) 7¾% to 20/4/00 and 9% thereafter. k) Conversion price: $26. Callable from 15/3/98 at par. Greenshoe: 15%. l) Long 1st coupon. m) Denom: SFr50,000 +90 wrts. Ex price: Y1,055. Fx: 79.17Y/SFr. n) Sumitomo Bank International Finance. n1) Callable on coupon dates from 30/6/05 at par. n2) 6.15% to 30/6/05, 6-mth Libor +100bp to Jun.10 and +150bp thereafter. n3) 6-mth Libor +30bp to Jun.05, +100bp to Jun.10 and +150bp thereafter. n4) Callable on coupon dates from Jun.00 at par. n5) 6-mth Libor +30bp to Jun.00, +100bp to Jun.05 and +150bp thereafter. n6) Callable on coupon dates from 30/3/05 at par. n7) 5.09% to 30/3/05, 6-mth Libor +100bp to Mar.10 and +150bp thereafter. Short 1st & 2nd coupons. o) Callable on coupon dates from Apr.99 at par. o1) 3-mth Libor +¼%. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

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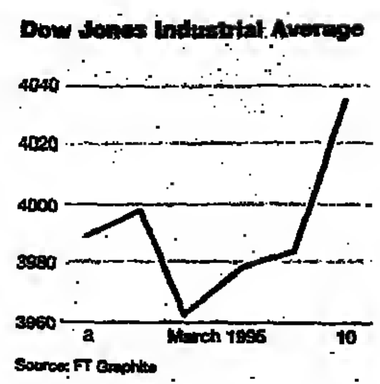
EQUITY MARKETS: This Week

NEW YORK — Lisa Branstein

Flurry of data to test bearish sentiment



Last week ended with Wall Street's bears ascendant after lower than expected unemployment figures coupled with steady wage levels suggested that corporate earnings might hold, even if the economy slowed.

The question this week is whether the market will sustain its highs amid a flurry of new economic data.

Mr Anthony Conroy, head equity trader at Bankers Trust, believes investors will be watching closely for signs of economic acceleration or slowing. "The markets are so nervous that any tidbit of information that signals inflation is going to be detrimental," he says.

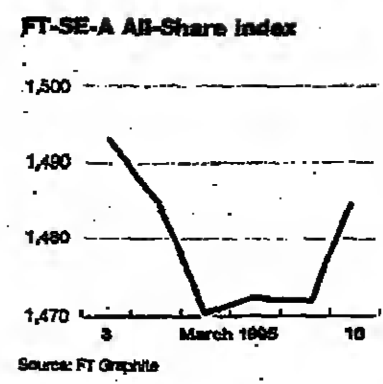
Of particular importance are the February producer and consumer price indices due out Wednesday and Thursday respectively.

Until this year, the inflationary pressures that have led the Federal Reserve to raise interest rates seven times since last year had not shown up at the consumer level. In January, however, the core consumer price index – which excludes the volatile food and gas components – posted the biggest increase in more than two years.

Forecasts of February's overall CPI figure are varied, with the median estimate at a modest 0.3 per cent. Anything substantially above that level could throw investors off their recent bullish turn. The median estimate on the PPI figures show that index 0.2 per cent above January's rate.

LONDON — Terry Byland

Attention diverted from trading results



It seems to be the stock market's misfortune that just when UK company results are coming home in style, every day brings a new disaster for investors. The good news is clear enough: dividend growth in UK companies exceeds projections, looking increasingly like 12 per cent for 1994 compared with earlier predictions of 10 per cent.

This week will bring results from, among others, Reckitt & Colman, Rugby, Reed International, and United Biscuits.

All are likely to announce higher profits. If only currency markets can settle down, rumours of new horrors in derivatives will go away and UK utilities can calm down.

The FT-SE Mid 250 Index has been hit badly by the collapse in electricity shares and it is difficult to see how it can recover if the regulator proceeds with his plan to tighten pricing control among the regional electricity companies.

But there are plenty of strong features in the Mid 250 – GKN, for example, benefited from excellent results last week. So, there is a case for not becoming obsessed by market indices at a time when the horizon is bristling with promising trading statements from UK companies.

No doubt the broader picture will eventually settle down: but likely growth of around 14 per cent in UK corporate earnings should not be overlooked.

OTHER MARKETS

FRANKFURT

Some consolidation and a slight recovery may be at hand this week after last week's turbulence, when the market worried about strong currency devaluations and the level of pay increases achieved by the unions.

Bayer and BASF have their supervisory board meetings tomorrow and on Wednesday, respectively, when they will announce their 1994 dividends.

NatWest Securities says that expectations have been raised slightly following Hoechst's dividend announcement last weekend, so any good news may be treated with slightly less enthusiasm.

NatWest adds that smaller stocks continue to steal the show in terms of outperformance and will continue to do so while the market remains focused on possible negative impacts on the large industrials.

A busy week is in store on the economic front, with January import price inflation and retail sales and February's wholesale prices and producer prices figures due.

The Bundesbank council meets on Thursday and, says James Capel, the developments of the last couple of weeks will give the meeting much to consider.

"On the one hand, the recent strength of the D-Mark, by undermining the ERM and depressing import prices, would point to a small easing of rates, or at least a postponement of any increase. On the other hand, however, the wage deal in the engineering industry will concern the Bundesbank as will the high level of capacity utilisation."

On balance, Capel expects key rates to remain on hold for the time being, although it notes that the first rate rise is still in place for the second quarter, assuming that the D-Mark does not continue to strengthen.

ZURICH

SBC will be the last of the big three banks to report full-year figures on Wednesday, with analysts forecasting a substantial fall from last year's SFr1.4bn net income after the sharp declines already announced by UBS and CS Holding.

Tomorrow, slightly better 1994 figures are expected from Société Générale de Surveillance, the Geneva-based international inspection and product testing group.

However, currency considerations are likely to remain the key to the performance of the Zurich market this week, following the bumpy ride it suffered last week as the continuing strength of the Swiss franc, which is widely regarded as being a safe haven in times of turmoil, prompted a broadly based downward revision of 1995 earnings forecasts for the country's dollar earning exporters.

MILAN

The lower house votes on the Italian mini-budget tomorrow and expectations are high that it will win approval. The market remains held back by continuing political confusion although expectations were growing last week of an early, June general election. Stet is likely to remain at the centre of attention.

Last week, foreign investors, particularly in London, were sellers after a Mediobanca-led consortium of banks' offered to buy the state's 61 per cent stake and then place it by way of a private placement and a public offering.

The market was worried that the move raised doubts about the banking sector's liberalisation.

TOKYO

Share prices failed to react to rising expectations of a cut in official discount rates last week since absorbing the overhang of arbitrage positions proved to harder than initially expected, *writes Emiko Terazono*.

With the March futures settlement out of the way, some market participants may be experiancing more breathing space, but year-end selling is expected to continue to weigh on prices.

Investor confidence also remains weak due to the yen's rapid appreciation and the prolonged political wrangling over the public rescue of two credit associations.

Gross domestic production figures for last year's October to December quarter to be announced this week are likely to add to the pessimism. Mr Tom Hill at S.G. Warburg in Tokyo expects the figures to indicate disappointing private consumption.

Technical analysis, meanwhile, is also pointing to near-term gloom. With the Nikkei index below the 15-year moving average of 17,850, Mr Darrel Whitten, an analyst at Lehman Brothers in Tokyo, sees the level becoming a resistance. The index is expected to moving within a range of 17,850 and 14,680, the 20-year moving average.

HONG KONG

A busy week of corporate results is in store, including figures from Cathay Pacific today, Amoy Properties tomorrow, and Hysan Development and Swire Pacific on Friday.

The market was under pressure last week, although trading volumes were thin, as some repatriation of funds to Japan was seen. The disappointing results from Haeco left the shares plunging while dollar considerations also prompting switching out of Hong Kong Bank possibly to the US banking sector.

Mr Michael Franklin at James Capel says that events in Mexico and elsewhere in Latin America contributed to market nervousness. US interest rates continue to hold the key to the Hong Kong market's near-term performance, he says. If rates go up, the market might get some relief from a firmer dollar, although that runs the risk of dampening corporate earnings growth.

Compiled by Michael Morgan

Global equity offerings

Innovative structure for Repsol's planned issue

The turmoil surrounding the UK power sale highlights the need for governments launching privatisation offerings to do what they can to safeguard investors' interests.

This lesson has not been lost on Repsol, the Spanish oil group which last week announced an innovative structure for its forthcoming offering, guaranteeing that if its share price falls below the offer price in the 12 months following the sale, it will compensate investors for the difference in cash for losses up to 10 per cent.

One syndicate manager said: "It's almost like a one-year money-back guarantee!" The advantage for retail buyers is that it limits their downside and this should appeal to risk-averse investors, especially in countries which do not have a widespread equity culture.

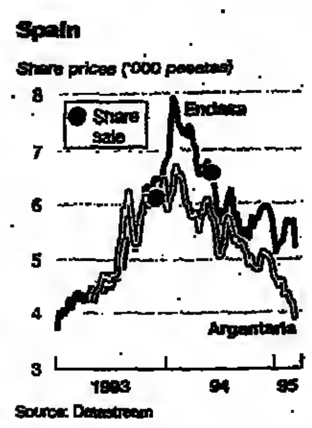
From the issuer's perspective, it works much like a one-for-10 bonus share issue, except that the option need not be exercised if the share price rises, or only partially if the price falls less than 10 per cent.

"If this structure can be used in other countries, it could really take off," said one dealer. "Governments all over Europe are under pressure to have successful privatisations and to secure retail buyers for them – both for political and for fiscal reasons, they have to keep their investors happy."

The OECD last week warned that recent privatisations have revealed signs of fatigue among retail investors, adding: "It is possible that future privatisations will have to either reduce the tranches directed to retail investors or enhance the attractiveness of tha offering to these investors."

Given the poor performance of the Spanish stock market over the last 15 months, disillusioned retail investors certainly need some sweeteners to lure them back into any privatisation offerings.

Shares in Endesa, sold last May, have fallen some 19 per cent since launch, and Argentaria's share price has fallen by about 35 per cent since its sale in November 1993. The Madrid Stock Exchange Index has fallen by some 25 per cent since its peak in January 1994.



In addition to the 5 per cent discount at which the Repsol shares will be offered to retail, the reimbursement option may entice small investors back. Solid retail demand in turn could be an incentive for international institutional buyers, whose interest is likely to be further buoyed by the recent peseta devaluation.

Repsol has mandated Banco Bilbao Vizcaya and Goldman Sachs as global co-ordinators for its offering, which is likely to be priced on April 10. The state-owned Instituto Nacional da Hidrocarburos, which holds 40.5 per cent of Repsol, is planning to sell up to 45m shares worth some Pta165bn.

Meanwhile, retail investors in the UK power sale can only dream of a money-back option. Many were licking thair wounds last week after comments from Professor Stephen Littlechild, the electricity industry regulator, threw the government's sale of its stake in National Power and PowerGen into disarray.

Partly-paid shares in National Power, issued at 180p to institutional investors and at 170p to retail buyers, closed at 173½p on Friday. PowerGen's partly-paid shares closed at 185½p, down from the institutional offer price of 195p and near the retail price of 185p.

The partly-paid shares have held up better than their fully-paid counterparts: National Power fell 20p on the week to 436½p while PowerGen was down 24p at 467p.

Dealers said the offering's phased payment structure – three instalments spread over 18 months – makes the partly-paid shares more attractive than the fully-paid, justifying their premium over the underlying shares.

However, some dealers suggested the partly-paid shares' relative resilience could also be attributed to price support from BZW and Kleinwort Benson, the issue's joint global co-ordinators. While the co-ordinators declined to comment on their activity during the 30-day stabilisation period, observers said support would have been likely in the turmoil following Prof Littlechild's comments.

This raises tha possibility that the underwriter may not exercise its over-allotment, or greenshoe option.

In most equity offerings, the underwriter sells more shares than are actually offered under the issue, thus creating a "short" position. In a strong after-market, this short can be covered by axercising the greenshoe option, whereby the underwriter buys additional shares from the issuer at the offer price.

In a weak environment, however, the underwriter covers the short by buying back shares from the market. This lends support to the share price, but may leave the greenshoe unexercised.

The greenshoe in the UK power sala is for up to 37m shares in National Power and 24m in PowerGen. If it is exercised, the Treasury will obtain an extra £300m. If not, it will realise less than expected and could be left holding shares.

Elsewhare, bankers were confused by the privatisation of Italy's telecommunications giant Stet taking an unexpected turn. Mediobanca muscled in on preparations for an international share sale with an offer to buy the government's 61 per cent stake. This dashed weeks of preparation by banks jostling for the lucrative mandate for global co-ordinator of the sale, which could be as large as $7bn.

Conner Middelmann

WORLD STOCK MARKETS

US INDICES

Dow Jones	Mar 10	Mar 9	Mar 8	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4035.61	3983.39	3979.23	4035.61 (10/3/95)	3593.35 (4/4/94)	4035.61 (10/3/95)	41.22 (2/7/32)
Home Bonds	96.86	96.79	96.79	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1557.73	1532.35	1540.26	1862.29 (2/2/94)	1371.88 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	188.37	186.92	187.85	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4054.97 (4011.40) Low 3978.20 (3953.99) (Theoretical) Day's high 4048.40 (3993.78) Low 3983.39 (3971.28) (Actual)

Standard and Poors	Mar 10	Mar 9	Mar 8	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	489.57	483.18	483.14	489.57 (10/3/95)	438.92 (4/4/94)	489.57 (10/3/95)	4.40 (1/6/32)
Industrials♥	581.70	574.51	574.43	581.70 (10/3/95)	510.05 (21/4/94)	581.70 (10/3/95)	3.62 (21/6/32)
Financial	45.51	44.81	44.90	48.94 (14/6/94)	39.87 (22/11/94)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	264.83	261.61	261.80	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	452.78	451.50	449.95	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	802.22	796.24	795.81	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Mar 3	Feb 24	Feb 17	Year ago
Dow Jones Ind. Div. Yield	2.73	2.69	2.72	2.62
	Mar 8	Mar 1	Feb 22	Year ago
S & P Ind. Div. yield	2.36	2.36	2.36	2.37
S & P Ind. P/E ratio	17.32	17.32	18.60	24.53

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	22,329,700	26⅛	+4⅛
RJR Nabisco	5,767,100	5¾	...
Grupo Tel	5,568,500	15⅞	+2⅛
Chicago NW	5,524,100	34⅛	+6⅛
Toys R Us	5,412,400	24	-¼
MA Com	4,289,700	10	+3
YPF Soc	3,699,200	16⅛	+⅜
Compaq	3,435,500	33⅛	...
Brinker	3,340,200	16⅞	-⅜
Ford Motor	3,331,980	26⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Mar 10	Mar 9	Mar 8
New York SE	382.942	316.105	349.714
Amex	16.799	14.347	16.623
NASDAQ	(a)	286.700	289.759
NYSE			
Issues Traded	2,958	2,938	2,949
Rises	1,596	1,084	1,140
Falls	648	1,090	1,036
Unchanged	714	764	773
New Highs	62	35	35
New Lows	33	105	104

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	484.70	491.20	+7.80	492.20	483.60	34,286	120,441
Jun	487.20	495.00	+7.75	496.00	486.50	66,825	101,177
■ Nikkei 225							
Mar	-	-	-	-	-	-	-
Jun	16660.0	16380.0	-410.0	16760.0	16260.0	43,974	108,349

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, March 10, 1995

	Stocks Traded	Closing Prices	Change on day
Sumitomo Const	14.5m	736	-49
Nippon Steel	10.9m	338	-4
Matsushita	7.2m	1370	-20
Mitsubishi Hvy	6.7m	607	-9
Hitachi	6.2m	836	-12
Toshiba Corp	5.8m	592	-8
NKK	5.5m	245	-1
Penta Ocean	5.1m	770	-11
Toyota Motor	4.5m	1660	-20
Sakura Bank	4.5m	1120	-10

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Mar 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7457	-0.0863	355 - 558	15.9856	15.7020	15.7332	0.9	10.6995	1.2	-	-	108.1
Belgium	(BFr)	46.3020	-0.487	750 - 280	46.9340	46.1790	46.277	0.6	46.312	-0.1	45.992	0.9	109.8
Denmark	(DKr)	8.9881	-0.1307	945 - 018	8.1093	8.9635	8.0035	-0.7	6.9906	0.3	8.9714	0.3	107.6
Finland	(FM)	6.0720	-0.0138	665 - 775	7.0580	6.9490	-	-	-	-	-	-	86.5
France	(FFr)	7.9615	-0.0547	588 - 842	8.0723	7.9459	7.9475	2.1	7.9264	1.8	7.9764	-0.2	108.3
Germany	(DM)	2.2388	-0.014	356 - 381	2.2732	2.2283	2.2339	1.8	2.2272	1.7	2.1888	2.1	113.7
Greece	(Dr)	363.078	-2.771	523 - 633	368.279	362.093	-	-	-	-	-	-	69.0
Ireland	(I£)	1.0008	-0.0033	001 - 015	1.0058	0.9976	1.001	-0.2	0.9992	0.6	1.0009	0.0	85.9
Italy	(L)	2649.55	-23.09	659 - 251	2683.04	2641.28	2658.55	-4.1	2675.1	-3.9	2742.65	-3.5	67.2
Luxembourg	(LFr)	46.3020	-0.487	759 - 280	46.9340	46.1790	46.277	0.6	46.312	-0.1	45.992	0.9	109.8
Netherlands	(Fl)	2.5115	-0.0196	102 - 128	2.5434	2.5024	2.5093	1.5	2.5013	1.8	2.4604	2.0	110.2
Norway	(NKr)	8.9780	-0.0958	742 - 818	10.1353	9.9471	0.9769	0.1	6.9748	0.1	6.9632	0.1	99.7
Portugal	(Es)	235.574	-1.783	443 - 705	239.100	235.305	236.269	-3.6	237.974	-4.1	-	-	96.9
Spain	(Pta)	205.497	-1.92	372 - 621	208.279	205.144	206.117	-3.6	206.992	-2.6	211.262	-2.8	77.1
Sweden	(SKr)	11.3876	-0.1113	772 - 980	11.5777	11.3619	11.3987	-0.2	11.3936	-0.2	11.4053	-0.2	79.8
Switzerland	(SFr)	1.8888	-0.0051	878 - 897	1.8946	1.8842	1.8843	2.9	1.865	3.0	1.8062	3.3	113.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.1
Ecu	-	1.2196	-0.0108	188 - 203	1.2374	1.2187	1.2202	-0.5	1.216	0.2	1.2125	0.6	-
SDR†	-	1.04916	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5837	-0.0358	832 - 842	1.6128	1.5775	-	-	-	-	-	-	-
Brazil	(Cr)	1.3940	-0.0403	913 - 968	1.4269	1.3782	-	-	-	-	-	-	-
Canada	(C$)	2.2246	-0.0649	237 - 255	2.2689	2.2151	2.2281	-1.0	2.233	-1.5	2.2324	-0.4	80.6
Mexico	(New Peso)	10.5161	-1.544	556 - 765	11.8203	10.3550	-	-	-	-	-	-	-
USA	($)	1.5814	-0.0374	810 - 817	1.6105	1.5750	1.5809	0.4	1.5798	0.4	1.5866	0.9	61.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1212	-0.0638	193 - 231	2.1244	2.1192	2.1235	-1.3	2.1288	-1.4	2.1543	-1.0	83.1
Hong Kong	(HK$)	12.2259	-0.2883	224 - 294	12.4498	12.1776	12.2261	0.0	12.2269	0.0	12.222	0.0	-
India	(Rs)	50.2158	-1.106	651 - 664	81.1500	50.0540	-	-	-	-	-	-	-
Israel	(Shk)	4.7428	-0.0703	372 - 479	4.8039	4.7280	-	-	-	-	-	-	-
Japan	(Y)	144.282	-2.244	187 - 378	147.010	143.760	143.762	4.4	142.617	4.8	136.497	5.4	158.4
Malaysia	(M$)	4.0364	-0.0883	339 - 389	4.1044	4.0216	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4447	-0.083	428 - 466	2.4485	2.4422	2.4508	-3.0	2.4616	-2.8	2.4809	-1.5	97.1
Philippines	(Peso)	40.7989	-1.079	736 - 242	41.1250	40.4728	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9307	-0.1404	291 - 322	6.0397	5.9070	-	-	-	-	-	-	-
Singapore	(S$)	2.2487	-0.0435	466 - 506	2.2819	2.2412	-	-	-	-	-	-	-
S Africa	(R)	5.7759	-0.0704	707 - 811	5.8571	5.7566	-	-	-	-	-	-	-
South Korea	(Won)	1234.96	-33.77	460 - 531	1263.21	1230.08	-	-	-	-	-	-	-
Taiwan	(T$)	41.2808	-0.9327	841 - 974	42.0106	41.1225	-	-	-	-	-	-	-
Thailand	(Bt)	39.2175	-0.8883	851 - 499	39.9080	39.0840	-	-	-	-	-	-	-

†SDR rates per £ for Mar 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.9571	+0.1698	529 - 613	9.9995	9.8445	9.9471	1.2	9.9258	1.3	9.8429	1.1	107.9
Belgium	(BFr)	29.2800	+0.3765	700 - 900	29.4000	28.9700	29.255	1.0	29.305	-0.3	29.28	0.0	108.6
Denmark	(DKr)	5.6901	+0.0606	891 - 911	5.7011	5.6050	5.6956	-1.2	5.7031	-0.9	5.7236	-0.8	106.4
Finland	(FM)	4.4089	+0.0935	064 - 114	4.4317	4.3348	4.4094	-0.1	4.4099	-0.1	4.4009	0.2	85.8
France	(FFr)	5.0346	+0.0626	340 - 352	5.0607	4.9775	5.0448	-2.4	5.0621	-2.2	5.0696	-0.7	107.8
Germany	(DM)	1.4145	+0.0241	140 - 160	1.4227	1.3983	1.4131	1.2	1.4102	1.2	1.397	1.2	113.1
Greece	(Dr)	229.600	+3.6	300 - 900	229.900	227.400	232.1	-13.1	236.35	-11.8	254.1	-10.7	68.0
Ireland	(I£)	1.5801	-0.0322	793 - 808	1.6050	1.5728	1.5817	-1.2	1.5847	-1.2	1.5938	-0.9	-
Italy	(L)	1675.50	+24.5	400 - 700	1679.25	1657.20	1681.5	-4.4	1689.25	-4.2	1749.5	-4.4	66.7
Luxembourg	(LFr)	29.2800	+0.3765	700 - 900	29.4000	28.9700	29.255	1.0	29.305	-0.3	29.28	0.0	109.6
Netherlands	(Fl)	1.5862	+0.0246	877 - 887	1.5936	1.5667	1.5868	1.1	1.5837	1.1	1.5703	1.1	109.8
Norway	(NKr)	6.3098	+0.0868	088 - 108	6.3402	6.2127	6.3053	0.9	6.2968	0.6	6.2778	0.6	96.7
Portugal	(Es)	148.970	+2.345	920 - 020	149.250	147.280	149.705	-5.9	150.75	-4.6	155.62	-4.5	97.4
Spain	(Pta)	129.950	+1.82	900 - 000	130.410	128.900	130.375	-3.9	131.02	-3.3	134.7	-3.7	76.8
Sweden	(SKr)	7.2012	+0.0978	962 - 062	7.2387	7.1091	7.2165	-2.5	7.2467	-2.5	7.3762	-2.4	79.1
Switzerland	(SFr)	1.1818	+0.0242	814 - 821	1.1880	1.1650	1.1793	2.5	1.1746	2.4	1.153	2.4	112.8
UK	(£)	1.5814	-0.0374	810 - 817	1.6105	1.5750	1.5808	0.4	1.5798	0.4	1.5686	0.9	85.3
Ecu	-	1.2967	-0.016	962 - 972	1.3098	1.2905	1.2957	0.0	1.2946	0.6	1.2927	0.3	-
SDR†	-	0.65037	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0010	+0.0011	014 - 016	1.0016	1.0013	-	-	-	-	-	-	-
Brazil	(Cr)	0.8815	-0.0045	800 - 830	0.8860	0.8630	-	-	-	-	-	-	-
Canada	(C$)	1.4068	-0.0075	065 - 070	1.4102	1.4040	1.4094	-2.2	1.4137	-1.8	1.4243	-1.2	79.1
Mexico	(New Peso)	6.6500	-0.9	500 - 500	6.7500	6.5500	6.6523	-0.4	6.6555	-0.3	6.6603	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3414	-0.0063	405 - 423	1.3482	1.3191	1.3434	-1.8	1.3478	-1.9	1.3745	-2.5	83.0
Hong Kong	(HK$)	7.7313	+0.0008	308 - 316	7.7316	7.7305	7.7302	0.2	7.7343	-0.2	7.7698	-0.5	-
India	(Rs)	31.7550	+0.06	300 - 800	31.8200	31.7250	31.835	-3.0	32.06	-4.1	-	-	-
Israel	(Shk)	2.9991	+0.026	963 - 016	3.0049	2.9616	-	-	-	-	-	-	-
Japan	(Y)	91.2400	+0.725	000 - 800	91.8000	90.8800	90.94	3.9	90.31	4.1	87.185	4.4	159.4
Malaysia	(M$)	2.5525	+0.0045	515 - 535	2.5537	2.5475	2.5505	8.6	2.5481	0.7	2.5425	8.4	-
New Zealand	(NZ$)	1.5458	-0.0031	451 - 468	1.5512	1.5203	1.5504	-3.0	1.5579	-3.1	1.5822	-2.4	-
Philippines	(Peso)	26.8000	-0.07	000 - 000	26.0000	25.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7513	-0.3	3.7534	-0.3	3.7654	-0.4	-
Singapore	(S$)	1.4220	+0.006	210 - 230	1.4235	1.4150	1.4167	4.4	1.4085	3.8	1.382	2.8	-
S Africa	(R)	3.6525	+0.041	500 - 550	3.6550	3.6220	3.6692	-5.5	3.7077	-6.1	3.894	-6.8	-
South Korea	(Won)	780.650	-2.8	900 - 000	784.700	780.600	783.95	-4.6	787.45	-3.3	805.95	-3.2	-
Taiwan	(T$)	26.1048	+0.0278	000 - 095	26.1130	26.0700	26.1248	-0.8	26.1648	-0.6	-	-	-
Thailand	(Bt)	24.8000	+0.025	850 - 150	24.8250	24.7700	24.821	-1.0	24.8475	-0.6	20.935	-0.5	-

†SDR rate per $ for Mar 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P Morgan nominal indices Mar 9. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 10	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
week ago	6	[illegible]	[illegible]	[illegible]	[illegible]	7.40	4.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	-	8.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	7	5.00	-	6.40
Germany	4.88	4.93	5.05	5.20	5.65	6.00	4.50	4.85
week ago	4.88	4.93	5.05	5.23	5.68	6.00	4.50	4.85
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.50	10.10
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	7.50	8.35
Netherlands	4.84	5.02	5.12	5.30	5.71	-	5.25	-
week ago	4.84	5.02	5.14	5.38	5.77	-	5.25	-
Switzerland	[illegible]	[illegible]	[illegible]	4	[illegible]	6.625	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	3.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
$ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.95	6.10	6.33	6.74	-	-	-
week ago	-	5.95	6.04	6.24	6.64	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

ECU Linked Ds mid rates: 1 mth: [illegible]; 3 mths: [illegible]; 6 mths: [illegible]; 1 year: [illegible]. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds). *Suspended by Bank of France & replaced by overnight window shown.

EURO CURRENCY INTEREST RATES

Mar 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	12 - 11	[illegible]	[illegible]	[illegible]	[illegible]	12 - 11
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.71	93.70	-0.02	93.72	93.68	59,545	312,763
Jun	93.44	93.43	-0.01	93.43	93.30	165,878	480,230
Sep	93.21	93.20	-	93.23	93.04	148,407	316,259

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.03	94.00	-0.03	94.03	93.90	10,753	18,982
Sep	93.80	93.76	-0.04	93.80	93.65	2,547	6,760
Dec	93.37	93.58	+0.03	93.58	93.37	344	8,182

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.43	17.20	4.832	2.162	5724	5.425	21.55	508.9	443.8	24.60	4.037	2.160	4.808	3.415	311.7	2.635
Denmark	(DKr)	51.46	10	8.849	2.486	1.112	2945	2.792	11.09	261.8	228.4	12.66	2.077	1.111	2.473	1.757	160.4	1.356
France	(FFr)	58.18	11.30	10	2.810	1.257	3328	3.155	12.53	295.9	258.1	14.31	2.347	1.256	2.795	1.988	181.2	1.532
Germany	(DM)	20.70	4.022	3.559	1	0.447	1185	1.123	4.460	105.3	91.86	5.092	0.835	0.447	0.995	0.707	64.51	0.545
Ireland	(I£)	46.25	8.989	7.954	2.235	1	2647	2.509	9.968	235.4	205.3	11.38	1.867	0.999	2.223	1.579	144.2	1.210
Italy	(L)	1.747	0.340	0.300	0.084	0.038	100.	0.095	0.377	8.891	7.755	0.430	0.071	0.038	0.084	0.060	5.445	0.046
Netherlands	(Fl)	18.43	3.582	3.170	0.891	0.398	1055	1	3.972	93.79	81.81	4.534	0.744	0.398	0.886	0.629	57.44	0.488
Norway	(NKr)	46.40	9.018	7.980	2.242	1.003	2656	2.516	10	236.1	206.0	11.42	1.873	1.002	2.230	1.584	144.8	1.223
Portugal	(Es)	19.65	3.810	3.379	0.949	0.425	1125	1.066	4.235	100.	87.22	4.834	0.793	0.424	0.944	0.671	61.25	0.518
Spain	(Pta)	22.53	4.379	3.874	1.089	0.487	1290	1.222	4.855	114.0	100.	5.543	0.909	0.487	1.083	0.769	70.22	0.594
Sweden	(SKr)	40.65	7.900	6.990	1.964	0.879	2327	2.205	8.760	206.8	180.4	10	1.641	0.878	1.953	1.388	126.7	1.071
Switzerland	(SFr)	24.77	4.814	4.260	1.197	0.536	1418	1.344	5.339	126.1	110.0	6.094	1	0.535	1.190	0.846	77.21	0.653
UK	(£)	46.30	8.998	7.962	2.237	1.001	2650	2.512	9.978	235.6	205.5	11.39	1.869	1	2.225	1.581	144.3	1.220
Canada	(C$)	20.81	4.044	3.578	1.005	0.450	1191	1.129	4.484	105.6	92.36	5.118	0.840	0.449	1	0.711	64.85	0.548
US	($)	29.29	5.691	5.036	1.415	0.633	1676	1.589	6.311	149.0	130.0	7.204	1.182	0.633	1.407	1	91.27	0.772
Japan	(Y)	32.09	6.236	5.518	1.550	0.694	1836	1.741	6.915	163.3	142.4	7.893	1.295	0.693	1.542	1.096	100.	0.845
Ecu		37.95	7.375	6.526	1.834	0.820	2172	2.059	8.179	193.1	168.4	9.338	1.532	0.820	1.824	1.296	118.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7120	0.7060	-0.0110	0.7125	0.7085	12,325	53,069
Jun	0.7190	0.7084	-0.0110	0.7192	0.7055	42,078	54,703
Sep	0.7100	0.7107	-0.0110	0.7155	0.7080	366	1,406

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.8580	0.8457	-0.0137	0.8570	0.8430	8,042	24,083
Jun	0.8651	0.8513	-0.0137	0.8651	0.8450	22,491	24,860
Sep	0.8680	0.8567	-0.0137	0.8680	0.8540	349	753

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.0990	1.0976	-0.0089	1.1030	1.0900	13,202	44,865
Jun	1.1175	1.1086	-0.0070	1.1183	1.1000	39,864	54,768
Sep	1.1195	1.1224	-0.0069	1.1260	1.1195	566	2,433

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6078	1.5664	-0.0446	1.6078	1.5620	4,420	34,022
Jun	1.6082	1.5646	-0.0446	1.6082	1.5610	10,804	22,972
Sep	1.5900	1.5608	-0.0444	1.5900	1.5600	41	126

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.550	3.84	4.95	5.55	-	1.11	1.79
1.560	1.44	3.32	4.02	-	1.57	2.64
1.575	-	2.18	2.79	0.86	3.10	3.88
1.600	-	1.28	1.96	3.25	4.71	5.42
1.625	-	0.70	1.27	5.85	6.71	7.20
1.650	-	0.34	0.78	8.18	8.63	9.18

Previous day's vol., Calls 20,365 Puts 17,809 . Prev. day's open int., Calls 326,102 Puts 413,263

Pound in New York

Mar 10	—Close—	– Prev. close –
£ spot	1.5700	1.6120
1 mth	1.5696	1.6114
3 mth	1.5686	1.6103
1 yr	1.5550	1.5974

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

BANK RETURN

BANKING DEPARTMENT	Wednesday March 8, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,211,810,372	+598,506,322
Bankers deposits	1,770,691,746	-24,400,168
Reserve and other accounts	5,163,489,524	+1,245,009,710
	8,160,544,441	+1,869,765,932
Assets		
Government securities	1,093,023,456	-330,605,000
Advance and other accounts	6,240,100,458	+1,918,054,844
Premises, equipment and other secs	817,964,305	+298,800,572
Notes	9,251,846	+1,589,023
Coin	174,675	+8,493
	8,160,544,441	+1,869,765,932
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,260,738,654	+68,410,977
Notes in Banking Department	9,261,846	+1,589,023
	18,270,000,000	+70,000,000
Assets		
Government securities	11,813,135,984	-290,668,570
Other Securities	6,456,864,016	+360,668,570
	18,270,000,000	+70,000,000

FT GOLD MINES INDEX

	Mar 10	% chg since 30/12/94	Mar 9	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1915.23	-8.1	1805.21	44.93	100.00	2.10	2337.80	1637.91
Regional Indices								
Africa (16)	2745.12	-14.0	2650.18	14.58	32.45	4.91	3711.87	2304.45
Australasia (7)	2018.07	-17.8	2031.29	5.18	11.53	0.82	2551.49	1765.29
North America (11)	1513.98	-2.0	1527.38	25.17	56.02	0.74	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.

LONDON RECENT ISSUES: EQUITIES

(Equities table: issue price, amount paid up, mkt. cap (£m.), 1994/95 high and low, stock, close price, +/-, net div., div. cov., grs. yld., P/E ratio — entries from Abbott & Wilson to Zotefoams, largely [illegible].)

- Notes: issue price for institutional and overseas investors.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994/95 High	1994/95 Low	Stock	Closing price p	+or-
340	102.	-	198pm	165pm	Cadbury Schws Cv Ln	190pm	+2
175	Nil	20/4	14pm	8pm	Cookson	14pm	+4½
335	Nil	-	73pm	64pm	Dalgety Cv Ln 1995	66pm	-2
90	Nil	11/5	28pm	25pm	Horace Small	27pm	-1
80	Nil	15/3	4pm	1pm	‡Shorco	1pm	
50	Nil	10/4	4pm	2pm	Torex Hire	2½pm	
38	Nil	-	1½pm	1½pm	Unit Group	1½pm	
52	Nil	20/4	14pm	7pm	Wyko	14pm	

UK INTEREST RATES

LONDON MONEY RATES

Mar 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	[illegible]	[illegible]	[illegible]	[illegible]

Certs of Tax dep. under £100,000 is [illegible]pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount [illegible]pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 24, 1995, Schemes II & III [illegible]pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Schemes IV & V [illegible]pc. Finance House Base Rate 7pc from Mar 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Mar 3	Mar 3		Mar 3	Feb 24
Bills on offer	£700m	£700m	Top accepted rate	6.0767%	6.1368%
Total of applications	£2479m	£2446m	Ave. rate of discount	6.9752%	6.1282%
Total allocated	£700m	£700m	Average yield	6.1686%	6.2232%
Min. accepted bid	£98.485	£98.470	Offer at next tender	£700m	£700m
Allotment at min. level	92%	92%	Min. accpt. bid 182 days	-	-

BASE LENDING RATES

(Table of banks and rates, from Adam & Company 6.75 to Yorkshire Bank 6.75 — individual entries largely [illegible].)

● Members of London Investment Banking Association
* In administration

UK GILTS PRICES

(Gilts price table: Shorts (Lives up to Five Years), Five to Fifteen Years, Over Fifteen Years, Undated, Index-Linked and Other Fixed Interest — Notes, Price £, +/-, Wk %, Amnt £m, Interest due, Last xd, City line — entries [illegible].)

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

(FT-SE 100, FT-SE Mid 250, FT-SE Mid 250 ex ITs, FT-SE-A 350, FT-SE SmallCap, FT-SE SmallCap ex ITs, FT-SE-A All-Share; FT-SE-A Fledgling, FT-SE Eurotrack 100, FT-SE Eurotrack 200, FT Ordinary, FT Govt Securities, FT Fixed Interest, FT Gold Mines — Mar 10, Mar 9, Mar 8, Mar 7, Mar 6, 1994/95 High, Low, Since comp. High, Low — figures [illegible].)

FT CONFERENCES

MARKETING PROFESSIONAL SERVICES '95
London, 19 & 20 April 1995
The Financial Times and Professional Marketing International bring together an internationally renowned line-up of experts and leading edge practitioners to provide practical guidance in getting better business through improved skills and client awareness. The first day is devoted to an interactive point of contact sales masterclass, examining the process of carrying marketing content through to the actual sale. Highlights of the second day include a debate on the findings of an exclusive benchmarking survey to establish best practice in client development worldwide; reflections from Sir Bryan Carsberg of the Office of Fair Trading on a decade of deregulation in the professions. The Congress concludes with a dinner and presentation of the prestigious FT/Professional Marketing Awards.

THE EUROPEAN WATER INDUSTRY
London, 24 & 25 April 1995
At a time when many UK and EC companies are seeking opportunities in fresh markets, the sixth conference in the Financial Times Water Industry series will also consider the cost challenge of meeting EC quality yardsticks and the increasing need to put figures on environmental costs. Speakers include Mr Ian C R Byatt, Ofwat; Mr Nicholas Hood CBE, Wessex Water Plc; Mr Tim Yeo MP, Former Minister for the Environment and Countryside, UK; Mr D Grant Lawrence, European Commission; Ing António M Taveira, INDAQUA; Dr Johan Sastin, EBRD; Mr James F Martin, International Finance Corporation; Mr David Kinnersley, author of 'Coming Clean, The Politics of Water and the Environment', Mr Christian Gregoire, Banque Nationale de Paris; Dr Dieter Helm, DXERA; Dr John W Sawkins, University of Aberdeen and Mr Paul E Whelan, Pannell Kerr Forster.

FT-CITY COURSE
London, 24 April-12 June
This course provides those working in the City or serving the financial world with a broader understanding of all aspects of the operations of the City of London and the factors that make it a pre-eminent financial and trading centre.

SOUTH AFRICA-
A NEW ERA FOR BUSINESS, FINANCE AND INVESTMENT
Cape Town, 2 & 3 May 1995
This major FT conference will review the policies and programmes of the government of national unity as it enters its second year of office and assess business, finance and investment prospects. Speakers include: Mr Alec Erwin MP, Deputy Minister of Finance; Mr Jay Naidoo, Minister without Portfolio in the Office of the President; Mr Trevor Manuel MP, Minister of Trade and Industry; Miss Stella Sigcau MP, Minister for Public Enterprises; Mr Euan Macdonald, Vice Chairman, SG Warburg & Co; Dr Anton Moolman, Managing Director, Transnet Ltd; Ms Vusi Khanyile, Managing Director, Thebe Investment Corp; Ms Marianne Hay, Executive Director, Morgan Stanley Asset Management and Mr Rudolf Gouws, Economist, Rand Merchant Bank.

ASIAN ELECTRICITY
Hong Kong, 22 & 23 May 1995
The fourth FT/Power in Asia meeting will focus on electricity restructuring policies and programmes in the Asia-Pacific region, review developments in China's power sector and examine the growth of IPPs in Asia. Speakers include: Mr Guido Delgado, National Power Corporation; Dr Piyasvasti Amranand, National Energy Policy Council, Thailand; Mr Barrie Leay, Electricity Supply Association of New Zealand; Mr Philip Tose, Peregrine Investments Holdings; Dato' Francis Yeoh Sock Ping, YTL and Mr John Burnham, Schroders.

THE CZECH REPUBLIC: BEYOND PRIVATISATION - NEW BUSINESS CHALLENGES AND OPPORTUNITIES
Prague, 6 & 7 June 1995
As the second wave of the mass privatisation nears completion and with convertibility of the Koruna now firmly on the legislative agenda, this Financial Times conference will provide an opportunity to examine the broader implications of these developments for the Czech economy for foreign investment. Utilities privatisation, to include the opportunities emerging from the forthcoming restructuring of the energy sector will also be discussed. Speakers include: Dr Vladimír Dlouhy, Minister of Trade and Industry of the Czech Republic; Mr Pavel Kavánek, Ceskoslovenská Obchodní Banka; Sir Frank Lampl, Bovis Construction Group; Dr Zdenek Drabek, World Trade Organisation; Mr Gabriel Eichler, CEZ, a.s.; Mr Robert Chelberg, Power International; Mr Ivo Lurvink, CS First Boston (Praha), a.s.; Mr Richard Wood, Wood & Co Securities, s.r.o. and Mr Daniel J Arbess, White & Case.

TELECOMMUNICATIONS IN ASIA-PACIFIC
Hong Kong, 15 & 16 June 1995
Issues to be addressed at the second conference in this series on the dynamic Asia-Pacific telecommunications sector include: Regulating converging technologies and liberalisation; the challenges facing state telecommunications companies in the region; investment prospects for international network operators; development of mobile communications; funding for expansion. Speakers include Mr Linus Cheung, Hong Kong Telecommunications Limited; Dr Andrew Harrington, Salomon Brothers Hong Kong Limited; Mr Setyanto P Santosa, PT Telkom Indonesia; Mr Michael J Heath, NYNEX Network Systems Company; Mr Steve Burdon, BT Australasia and Ms Boli Medappa, US WEST International; Mr Mark Anthony Javier, Ayala Corporation; Mr Adam Quinton, Merrill Lynch International Bank Ltd; Dr Judith D O'Neill, Reid & Priest LLP and Mr Pertti Johansson, Motorola.

WORLD GOLD CONFERENCE
Lugano, 19 & 20 June 1995
Authoritative speakers from North America, Europe, Africa and the Asia-Pacific Region will address this year's meeting, sharing their views on driving forces in the market; supply and demand trends; global opportunities and new initiatives in gold. Speakers will include Mr Urs W Seiler, Union Bank of Switzerland; Mr Ronald Cambre, Newmont Mining Corporation; Mr Sam Jonah, Ashanti Goldfields Company Limited; Mr Guy Mansell, Normandy Poseidon Limited; Ms Jessica Cross, Crosswords Research and Consulting; Mr Frank Adisman, JP Morgan & Co Inc and Mr I Jeff Toshima, World Gold Council Ltd and Dr Stewart Murray, Gold Fields Mineral Services Ltd.

All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd (z)

Camco Investment Management Ltd

Global Asset Management - Contd.

Man International Futures - Contd.

Sabre Futures Fund

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Pf		80½	—	8%	–	Jun Dec	14.11	1757
9¼pc Non-Cum Pf		44½	—	9¼%	–	Jan Jul	14.11	1421
Cater Allen	♣†N□	432	0.9	28.3	1.6	Jan Jul	12.12	2001
Close Bros	♣†N□	236	3.0	7.9	2.9	Apr Oct	3.10	2100
Gerrard & Nat	♣†N□	356	–1.2	24.0	1.3	Jul Dec	7.11	2586
Hambros	♣N□	199	–5.7	10.0	1.1	Aug Dec	28.11	2812
7½pc Cv Pf		95xd	–4.0	7½%	–	Oct Apr	20.2	4308
Joseph (L)	♣†N	383	–1.3	17.65	1.6	Sep Dec	5.12	3000
King & Shaxson	♣N	67	–5.4	0.8	1.1	Jan Jul	19.12	3006
Kleinwort Benson	♣♣N□	574xd	0.3	31.8	2.1	May Oct	27.2	3102
Rea Bros	♣†N□	90	–3.3	0.95	3.2	May Oct	29.8	3785
Schroders	♣†N□	1428	–1.2	18.5	0.9	May Oct	12.9	3900
N/V	†N	1268	–1.5	18.5	5.9	May Oct	10.9	3941
Singer & Fried	♣†N□	82	—	3.13	2.9	Nov Jun	10.9	4028
Union	♣N□	72	–2.7	3.5	φ	Apr Oct	29.8	4363
Warburg (SG)	♣N□	695	2.2	22.0	2.4	Jul Dec	14.11	4425
Wintrust	♣†N	215xd	—	10.6	1.5	Oct Nov	20.2	4524

BANKS, RETAIL

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	222¾	–5	Q84%	φ	Sep May	9'93	–
ANZ A$		214	–3.6	Q25c	2.4	Jun	12'93	–
Abbey National	g♣N□	437	–7	17.75	2.8	May Oct	15.8	5411
Allied Irish I£	♣N□	288xd	–1.5	Q57.1%	2.7	Oct Apr	20.8	1384
Anglo Irish I£	N□	61	—	Q17.5%	1.6	Jan Jul	28.11	1355
Asahi Y	□	727¾	3.1	Q14%	1.3	Jun Dec	12'92	3049
Banco Bk Viz Pta	□	2159½	–4.0	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		224½	—	Q58%	2.0	ApAuOcJa	1.8	–
Bk Ireland I£	†N□	300	–1.0	Q14.7%	3.2	Jan Jul	21.11	1380
Bank Scotland	♣†N□	310	5.3	5.31	3.2	Jul Dec	17.10	1742
9¼pc Pf		116	–1.5	9¼%	–	May Nov	17.10	1452
9¾pc Pf		122¾	–.8	9¾%	–	May Nov	17.10	1565

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- * USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. H Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Figures based on IMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Lazard Birla India Inv. Tst. Ord and Warrants (Other Inv Tsts). Deletions: Bletchley Motor (Distributors), Malacca Fund (Inv. Co's.) and Attwoods (Other Services and Businesses).

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Call 0171-873 4378 (+44 171 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close March 10

1995 High	1995 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	12⅞	AAR	0.48	3.7	23	38	13⅛	d12⅞	13	+⅛
25¼	19¾	ALPharmaA	0.18	0.9	259	50	21⅛	20¾	20¾	-⅛
38¼	36	AMP	0.92	2.5	21	11482	37⅝	30⅞	37½	-½
82¾	53⅞	AMR			27	5599	61⅛	60⅜	61¼	+¾
47⅞	41⅞	ASA	1.71	3.7	30	710	46½	45⅞	46	-½
36	30¾	AbbtL	0.64	2.4	18	7253	35⅝	34¾	35½	+⅝
14	12	Abitibi Pr	0.80	3.8	12	5684	13¼	12¾	13¼	+½
34⅝	22¼	ABM Ind	0.60	2.7	13	67	23	22⅝	22⅝	
16⅝	14½	Acpincoln			11	71	19¼	15	15¼	+¼
25⅞	31⅞	ACE Ltd	0.44	1.9	7	823	22⅞	23⅝	23¾	
8¾	8½	ACM Gvt In x	0.90	10.3	7	552	8¾	6⅝	6¾	
7½	8½	ACM GvOpp x	0.66	10.0		234	6⅜	d6½	6⅝	+⅛
7½	5¾	ACM Gvt Sp x	0.75	12.8		325	8	d5¾	5⅞	
8⅝	7½	ACM Gvt Se x	0.90	11.0		156	7⅝	d7½	7⅝	
8½	7⅝	ACM Mun x	1.80	13.7		128	8	7⅞	7⅞	-⅛
7⅝	7¼	ACM Managd x	0.72	9.9		198	7¼	d7⅛	7¼	+⅛
16¼	10¼	AcmeClv	0.48	3.5	8	21	14	13⅞	13⅞	-⅛
21½	12⅝	Acme Elect			21	284	18½	17⅞	18½	+½
34½	31⅞	Acordia	0.72	2.2	16	128	33⅞	33	33⅛	-⅝
11⅞	8⅝	Actava	0.28	3.6	2	200	9⅞	9¾	9⅞	+¼
18¾	11⅞	Acuson			20	247	12⅝	12¼	12½	+⅝
16⅜	15⅝	Adams Expr	0.36	2.2	0	141	16¼	18⅛	16¼	+⅛
68½	53	Ad Micro	3.00	4.3		69	66	66	66	
34⅞	25	AdvMic	3.00	8.8	11	8886	34¼	33¼	33¾	-⅝
6⅞	5	Advest Grp	0.16	2.7	26	27	5⅞	6¾	5⅞	
19¼	16½	Advo Inc	0.10	0.5	15	57	18¾	16⅝	18⅝	-⅛
70⅝	63⅞	Aegon ADR	1.47	2.1	13	50	69⅛	68½	60½	-½
4⅝	3⅜	Aerflx			5	898	4¼	3¾	4⅛	
55	46¼	AetnaL	2.76	5.0	13	3213	55¼	53¾	55	+1⅜
38	31⅞	Aflac	0.48	1.2	13	2837	u39⅛	37⅝	39	+1¼
18⅝	16	Ahmnsn	0.50	5.0	10	1024	17⅞	17⅝	17¾	+⅛
1⅜	[illegible]	Aileen Inc			0	218	[illegible]	[illegible]	[illegible]	[illegible]
49½	43⅞	AirPrC	0.90	2.0	22	1403	48½	47¾	40½	+⅞
34¼	20⅜	Airbne Frt	0.30	1.3	12	1297	22¼	21⅜	22¼	
26½	19⅝	Airgas Inc			28	449	25⅞	25¼	25⅝	+¼
15	13⅜	Airlease	1.88	12.5	11	14	d15	14⅞	15	-⅛
38	25⅞	AirTch			128	12974	28¼	27¼	27⅜	+¼
16¾	13⅝	Alaska Air	0.20	1.4	8	1407	13⅞	d13½	13⅞	+⅛

Continued on next page

4 pm close March 10

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
11⅝	10⅝	Salomon Br	0.38	3.3	23	273	11⅛	11¼	11⅛	+⅛
40⅛	32⅜	Salomn	0.64	1.0	9	5115	33¾	32⅜	33¾	+1¼
21⅞	19⅛	SnDgGE	1.56	7.6	17	577	20¾	20¼	20⅝	
9⅜	8	SantaFeERs	0.16	1.7	154	7947	u9⅝	9¼	9¼	
12¾	8	SFeGd			25	4218	12⅛	11¾	11⅞	+⅛
36⅛	33⅛	SFePPipe	2.00	7.6	9	41	u36¾	36½	36⅝	-⅛
21¾	17⅛	SanFeP	0.10	0.4	21	3410	u22⅝	21⅝	22⅜	+⅞
27⅛	24¼	SaraLee	0.68	2.6	53	3813	26	25⅜	26	+⅝
45⅛	42	Scana Corp	2.88	6.9	13	484	42⅝	42½	42½	-⅛
16¾	14⅛	Scecrp	1.00	6.4	10	6069	15⅝	15⅜	15⅝	+¼
11¼	8¼	SchnekA	0.26	3.1	30	137	8½	8¼	8½	-½
48¼	42⅜	SchererRP			28	200	45¾	45	45⅝	+⅝
79⅛	71	SchrPl	2.04	2.6	18	5130	77¼	78⅝	77½	+⅞
58⅛	50⅛	Schlmb	1.20	2.1	26	5304	57⅞	58½	57⅞	+½
31	22⅛	Schwab(C)	0.24	0.0	16	3179	29⅞	28⅞	29⅞	+1⅛
16⅞	7⅞	Schwitzer			0	110	10	9⅞	10	+⅛
23¾	17½	SciAtl	0.06	0.3	29	2834	23⅛	22½	23	+¾
19¼	16⅞	Scotsman	0.10	0.5	12	50	u19⅝	18¾	18⅞	+⅞
85¼	67⅛	ScottP	0.80	0.6	23	5361	u85¼	83¾	84¾	-1⅛
30⅛	26⅞	Scripps	0.44	1.6	17	89	28⅜	29	28¼	+¼
21½	14⅞	ScuddrNAsF	0.02	0.1		344	15⅜	15⅛	15½	+⅛
8¾	6¾	ScuddrNEuF	0.16	1.8		724	8⅞	8¾	8⅞	
14⅞	13⅛	SeaCnB	0.76	5.1	8	45	14¼	13⅝	15⅝	-⅞
16	15	SeaC1.4625	1.46	9.4		z100	15⅝	15⅝	15⅝	
28	23⅝	S'gate			7	2793	25⅝	25¼	25⅝	+⅛
31	28⅜	Seagrm	0.60	2.0	14	5828	30⅜	30⅛	30¼	+⅛
19¾	15¼	Seagull En			193	1380	17⅜	17	17⅜	+¼
43	35⅞	Sealed Air			22	263	42⅞	41⅞	42⅞	+1
50⅞	44½	SearsR	1.60	3.2	16	12127	u50⅞	50	50¾	+⅛
12¼	10⅝	Seligm Sel	0.84	6.9		50	u12¼	12⅛	12⅛	+⅛

1995 High	Low	Stock
67¼	61¾	TRW
28⅝	19¼	Taiwan Fd
10¼	7⅛	Talleyind
15½	12½	Talley Pf
44¾	37⅞	Tmbrds
19¾	18	Tandem
52⅛	44	Tandy
10⅛	9	Taurus Mun
3	2⅛	TCC Ind
27⅛	20	Teco Energ
38¾	31¾	Tktrnx
25⅛	24¼	TeleDe
23½	20	Teldyn
39⅜	33¼	TeleEspSA
41½	23	Telmex
51⅛	43⅜	Tmpinl
20¾	16⅝	TempltEmMk
6⅞	6¼	TempltGlob
6⅞	6⅜	TempltGlFd
48⅞	42¾	Tenneco
28⅛	25¾	Teppco Ptc
38¼	32⅛	Teradyne
7⅛	5⅞	Terex
13⅝	9¾	Terra Inds
10⅝	6¾	Tesoro
85⅞	59⅛	Texaco
35¼	30⅛	Texas Ind
89¼	88⅞	Texst
10½	17	Texas Pac
35	31¼	Textro
3⅝	2⅛	Textl Inds
55¾	48⅝	Textron

[illegible]

AMEX COMPOSITE PRICES

4 pm close March 10

[illegible]

NASDAQ NATIONAL MARKET

4 pm close March 10

[illegible]

FT GUIDE TO THE WEEK

MONDAY 13

Iraqi sanctions up for review

The US should succeed in blocking any relaxation in United Nations sanctions against Iraq, when Baghdad's compliance with Security Council resolutions comes up for review in New York today. Of the five permanent members, France and Russia, with some support from China, have been pushing for the gradual dismantling of the embargo, imposed in stages after Iraq's 1990 invasion of Kuwait. The UK is siding with Washington.

The US contends that Iraq is breaking sanctions, and trying to rebuild its war machine with chemical weapons. By threatening to use its veto in the Security Council, Washington looks to have deferred any change in UN policy.

Wise heads and currencies

Recent turmoil on the currency markets will top the agenda of central bank governors from the Group of 10 leading industrial nations at their regular monthly meeting in Basle. Talks will continue at the level of senior financial ministry and central bank officials in Paris on Tuesday and Wednesday. Observers doubt this flurry of long scheduled meetings will yield any *significant initiatives to cope* with currency turbulence.

Kim visits Brussels

President Kim Young-sam of South Korea (left), arrives in Brussels for talks focusing on potential trade friction, such as Korea's plans to expand its shipbuilding capacity. The Europeans would also like to see Kim Chul-su withdraw his bid to become head of the World Trade Organisation, clearing the way for their candidate, *Renato Ruggiero* of Italy.

A Colombian in Brussels

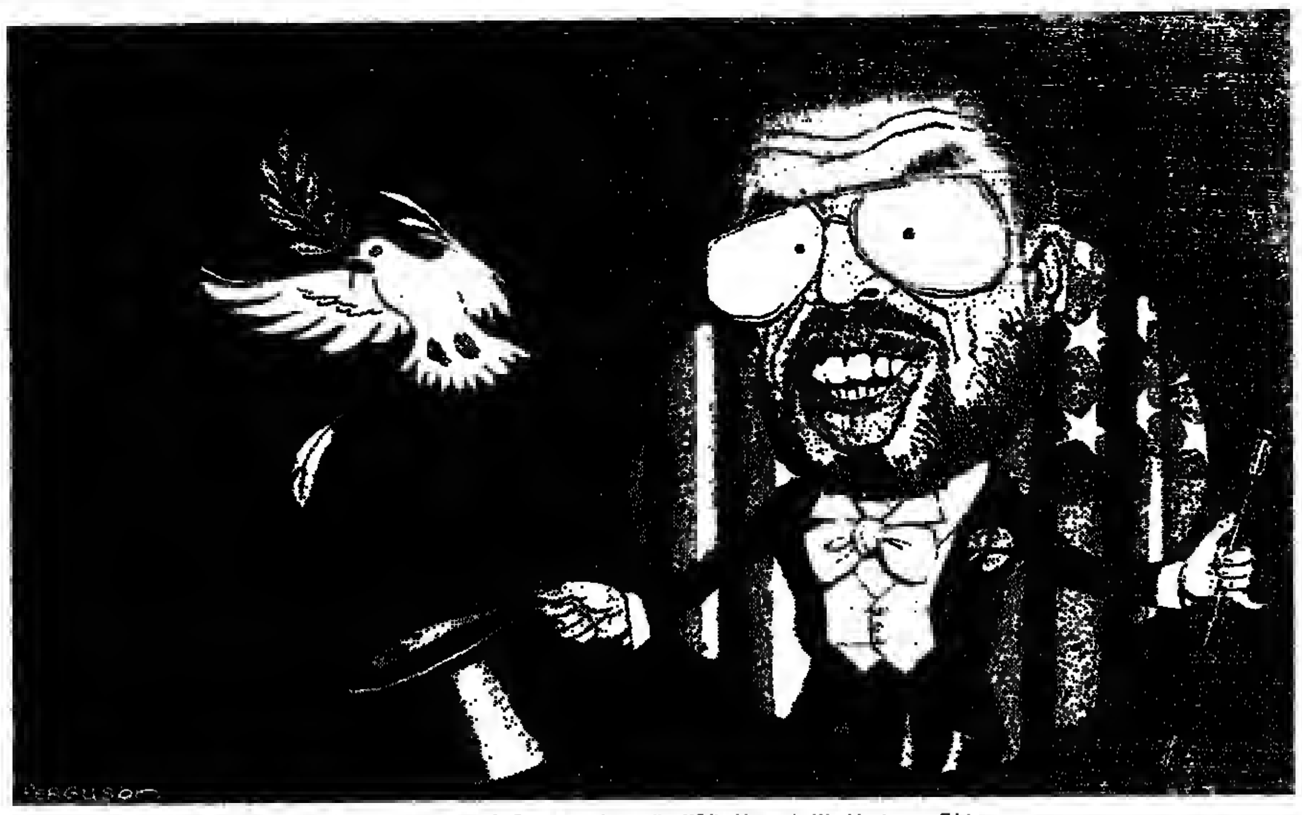
President Ernesto Samper of Colombia begins a two-day trip to Brussels and Strasbourg. He will meet European Commission president, Jacques Santer, other senior European Commission officials, and Prime Minister Jean-Luc Dehaene of Belgium. He will also sign several commercial and banking contracts.

EU transport ministers meet

Interest at the two-day *gathering* in Brussels centres on whether Neil Kinnock, transport commissioner, can win support for his appeal to member states to resist a US campaign to sign bilateral "open-skies" agreements for their airlines. Several countries have already ignored Kinnock, raising the possibility of legal action.

European Parliament session

A plenary session begins in Strasbourg (to March 17).



Gerry Adams, Sinn Féin leader, will be attending a St Patrick's Day reception at the White House in Washington on Friday

Greek-Albanian thaw

Greece's foreign minister Carolos Papoulias starts a two-day official visit to Albania to rebuild relations, following the release last month of five ethnic Greek Albanians imprisoned in Tirana on charges of spying for Greece.

Mr Papoulias is expected to discuss legalising the status of an estimated 150,000 Albanian migrant workers in Greece.

Green auditors

Accountants from about 50 countries meet in Geneva (to March 17) to consider guidelines for environmental reporting and disclosure by multinational companies. The meeting, sponsored by the United Nations Conference on Trade and Development, will review "green" accounting practices and obstacles to their implementation, including the "short-termism" of financial markets.

FT Survey

Investing in India.

Holidays

Australia (Labour Day, Victoria only).

TUESDAY 14

G77 consider UN structure

United Nations ambassadors from the Group of 77 developing countries meet in Geneva to discuss UN reform. The G77 is furious about recent suggestions, by the Commission on Global Governance among others, that the UN Conference on Trade and Development (Unctad) and the UN Industrial Development Organisation (Unido), should be shut down.

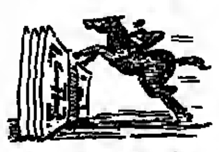
Policymakers' get-together

The British Council European Series trio of conferences in association with the Financial Times and the Goethe Institute begins (to March 24). Sir Leon Brittan heads a distinguished cast of speakers, with a keynote speech on Sunday.

FT Survey

Portuguese Finance and Investment.

Horse racing



Cheltenham race course, Gloucestershire, hosts the three-day National Hunt jumps festival this week: a boisterous – and betting – highspot, with Thursday's Gold Cup the main event.

WEDNESDAY 15

WTO left leaderless

Peter Sutherland, acting director-general the World Trade Organisation, steps down leaving the post vacant – unless there is a last-minute plea for him to stay on. WTO members are deadlocked over the two candidates still in the running – Renato Ruggiero of Italy and Kim Chul-su of South Korea.

The US, now its favourite, former Mexican president Carlos Salinas de Gortari, is out of the race, would prefer to start the selection process anew.

Budget day in South Africa

Chris Liebenberg, minister of finance, presents to parliament in Cape Town the first full budget of the government of national unity. It will be keenly watched for its stance on public spending and its commitment to reducing the budget deficit. Mr Liebenberg is the only politically non-aligned member of the cabinet.

Holidays

Belarus (Constitution Day), Hungary.

THURSDAY 16

Moslem, Croat leaders in US

Presidents Alija Izetbegovic of Bosnia-Hercegovina and Franjo Tudjman of Croatia are due to meet Warren Christopher, US secretary of state, in Washington to mark the first anniversary of the US-brokered agreement creating a Moslem-Croat federation in Bosnia and a planned confederation with Croatia.

The meeting is seen as a bid to boost the federation agreement, which ended a year of fighting between the Moslems and the Croats, but has not been fully implemented. Diplomats have been trying to bolster co-operation between the two sides in an effort to increase pressure on the Bosnian Serbs to back a peace agreement.

Bundesbank council meets

The fortnightly gathering will attract more attention than usual, following the disclosure last week by Hans Tietmeyer, Bundesbank president, that he has an open mind on interest rates. Commenting on the D-Mark's recent gains, Mr Tietmeyer said the council would have to examine whether there was scope for a small interest rate cut or whether it should raise rates in the foreseeable future. Many analysts expect a Solomonic judgment and unchanged rates.

Energiekonsensgespräche

Chancellor Helmut Kohl's coalition government begins tortuous talks with the opposition Social Democrats to work out how Germany is to provide for its energy needs in years to come. The so-called *Konsensgespräche* are an attempt to find a middle way between coal-fired energy, nuclear, and oil and gas. The last round of talks broke up in autumn 1993 because consensus could not be reached on nuclear energy, which produces about 35 per cent of Germany's power.

Concorde archive for sale

Sotheby's in London offers a Concorde archive, 126 lots linked to the development of the supersonic aircraft. Along with original design drawings, all signed by Brian Trubshaw, the UK's Concorde test pilot, is a test specimen of its hallmark drooping nose section, 24 feet long and estimated at over £25,000 ($41,000).

Dog days in Birmingham

Some 19,214 top showdogs strut and fret at Cruft's, Britain's leading championship dog show, at the National Exhibition Centre, Birmingham (to March 19).

Holidays

Sri Lanka.

FRIDAY 17

Izetbegovic at the Bundestag

Bosnia-Hercegovina's Moslem president, Alija Izetbegovic, is to address the German Lower House, the Bundestag, in Bonn, amid reports that all sides in the conflict in Bosnia are preparing for more war when the current ceasefire expires on May 1. Mr Izetbegovic is also scheduled to meet Chancellor Helmut Kohl and other leading politicians.

Republican in White House

A St Patrick's Day White House reception in honour of John Bruton, Ireland's prime minister, will see Bill Clinton shaking hands and talking to Gerry Adams, Sinn Féin leader. The three will also have met the day before when speaker Newt Gingrich hosts the congressional St Patrick's Day lunch.

Mr Adams is on a US tour, for which he has been granted for the first time a visa that permits him to engage in fund raising. The UK authorities are dismayed.

UK National Science Week

David Hunt, science minister, hosts the launch at London's Imperial College of Science and Technology. It features 3,000 events across the country by March 24, including Torpoint, Cornwall, on learning natural history through beach-combing and a Genes are Us exhibition at Euston, a busy London station.

Holidays

India, Ireland (St Patrick's Day).

SATURDAY 18

EU foreign ministers meet

The walled fortress town of Carcassonne in south-west France provides the setting for wide-ranging discussions on policy toward eastern Europe, Russia, and the Mediterranean, as well as preparations for the 1996 inter-governmental conference. Mr Alain Juppé, French foreign minister chairing the meeting, will also put pressure on the UK to resolve a dispute over the size of development aid to poor African, Caribbean and Pacific countries.

Japanese colliery closes

Sorachi colliery on the northern island of Hokkaido, one of Japan's only four remaining coal mines, is to be closed.

Royal wedding in Spain

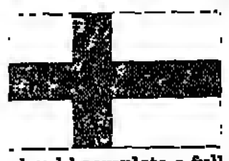
Princess Elena de Borbón, 31, eldest child of King Juan Carlos and Queen Sofia and second in line to the Spanish throne, marries 31-year-old economist Jaime de Marichalar in Seville's great cathedral.

Rugby

The final games of the Five Nations' championship take place. France sit things out, having played all their matches. England and Scotland, the tournament's surprise team, have everything to play for at Twickenham: the championship itself, the grand slam (neither has lost a match yet), and the Calcutta Cup (contested between themselves). Wales and Ireland vie for the wooden spoon in Cardiff.

SUNDAY 19

Finnish elections



Social Democratic leader Paavo Lipponen is expected to lead his party to victory in a general election that should complete a full set of Social Democratic prime ministers in Denmark, Finland, Norway and Sweden. Incumbent Esko Aho of the Centre Party has, in coalition with the Conservatives, steered Finland into the European Union and back to vigorous growth after a punishing recession.

But with unemployment still above 17 per cent, voters hit hard by the worst post-war slump in any industrialised country appear to be in unforgiving mood. However, at least one of the present government parties will be back in office under the Social Democrats, who are not set to win a majority.

Royal tour of South Africa

Queen Elizabeth II arrives in Cape Town on the royal yacht Britannia with Prince Philip at the start of a six-day trip to South Africa. It is her first official visit to the country since before her coronation in 1953.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: A busy week for UK statistics kicks off with producer price figures for February. While the annual rate of input price inflation is expected to ease slightly, the year-on-year rise in output prices looks set to quicken.

Tuesday: Advance indications of February's US retail sales have been mixed. But on balance, *analysts expect a slight* rise from January.

Wednesday: February figures are expected to show a further modest rise in US producer price inflation and growth in industrial production and capacity utilisation.

In Britain, the City expects a modest rebound in UK retail sales in February. Seasonally adjusted unemployment in Britain is thought to have continued *falling* last month, while analysts' expectations of underlying average earnings in January focus on unchanged 3.75 per cent annual growth.

Thursday: Economists are forecasting subdued US consumer price inflation in February on the assumption that retail sales growth was moderate last month.

During the week: Recent D-Mark strength may ease German wholesale and import price pressures.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Monday	UK	Feb producer price indx, input*	0.5%	1.3%
March 13	UK	*Feb producer price indx, input***	11.2%	11.6%
	UK	Feb producer price indx, output*	0.4%	0.9%
	UK	Feb producer price index, ouput**	3.6%	3.4%
	UK	Feb PPI ex-food, drink & tobacco**	3.6%	3.4%
	Spain	Jan producer price indx**	5.2%	6%
Tues	US	Feb *retail* sales	0.2%	0.2%
March 14	US	Feb retail sales ex-autos	0.2%	0.4%
	US	4th qtr current a/c	-	-$41.7bn
	US	Feb Atlanta Fed indx	-	18.9
	Japan	Jan mach orders, ex-power, *ships***	6.9%	8.7%
	Japan	Feb wholesale price indx*	-0.2%	-0.1%
	Japan	Feb wholesale price indx**	-0.7%	-1.1%
	Spain	Feb consumer price indx**	4.8%	4.4%
Wed	US	Feb producer price indx	0.2%	0.3%
March 15	US	*Feb PPI ex-food & energy*	0.2%	0.2%
	US	Feb industrial production	0.3%	0.4%
	US	Feb capacity utilisation	85.6%	85.5%
	US	Jan business inventory	0.7%	0.2%
	UK	Feb retail sales*	0.4%	-0.9%
	UK	Feb retail sales**	2%	0.2%
	UK	Feb unemployment	-27,500	-27,500
	UK	*Jan average earnings*	3.75%	3.75%
	UK	*Jan unit wage costs - 3 monthly***	0.5%	-0.8%
	Canada	*Jan dept stores sales*	3%	5.3%
Thur	US	Feb consumer price indx	0.3%	0.3%
March 16	US	Feb CPI ex-food & energy	0.3%	0.4%
	US	Feb housing starts	1.38m	1.38m
	US	Feb building permits	-	1.3m
	US	Initital claims w/e March 11	-	n/a
	US	State benefits w/e March 4	-	n/a
	US	March Philadelphia Fed indx	-	11.9
	US	Feb real earnings	-	1.2%
	US	M2 w/e March 3	$0.5bn	$1.9bn
	US	Feb monthly M2	-$2.6bn	$13.3bn
	Japan	*Jan indust production†*	-	-1.4%
	Japan	Jan shipments†	-	-2.7%
	Japan	*Feb money supply, M2 & CD***	3.2%	3.1%
	Japan	Feb broad liquidity**	-	3.6%
	UK	Feb public spending borrowing req	£3.9bn	-£3bn
Fri	US	*March Michigan sentiment prelim*	-	95.7
March 17	Canada	Feb dept store sales, advanced**	5.5%	7.2%
During the week...				
	Japan	Feb trade bal, customs cleared	$10.6bn	$10.9bn
	Japan	4th qtr gross domestic prod†	1.4%	3.7%
	Germany	*Jan retail sales, pan-Germany***	0.4%	-1%
	Germany	Jan import prices**	2.4%	2.9%
	Germany	Feb final cost of living**	2.3%	2.3%
	Germany	Feb producer price indx**	1.8%	1.7%

**month on month, **year on year, †seasonally adjusted* *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

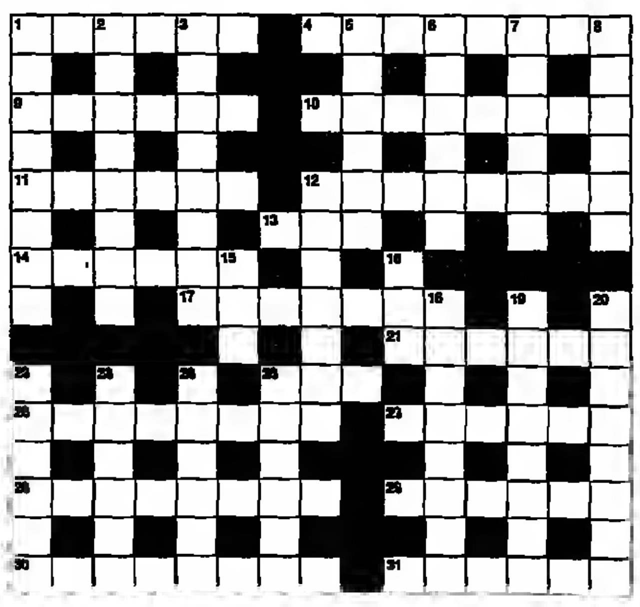
No.8,709 Set by DANTE

ACROSS

1 Stolen gum and car (3,3)
4 Poem about ace painter (8)
9 Are in debt, *but managed to* bring up children (6)
10 Quiet charm going together with taste (8)
11 Lure French duke into a bishop's domain (6)
12 Small sum of money sent round *as* deposit (8)
13 Two points on a beard (3)
14 Toss a coin with me for profit (6)
17 Squeeze out of the crowd (7)
21 A small-holder in the fruit trade (6)
25 Soft greeting *from a character* in Greece (3)
26 Fresh and wideawake? What a pest (8)
27 Make a cat sit still (6)
28 Service is nevertheless no good (8)
29 *Group* going round an evil gambling den (6)
30 Short skirt pretty girl's about to make shorter (8)
31 Confirm a man refusing strong drink *is French* (6)

DOWN

1 An ironclad reason for not buying luxuries (8)
2 Manufacturer of *eye-drops* (4,4)
3 Win, though exhausted? (8)
5 Side number (6)
6 It may be buttonholed or rebuked (6)
7 Drink up with Edward and *end up in high spirits* (6)
8 Noted national property (6)
12 Self-conscious about blemish, dark in colour (7)
15 A river – not the Dee we hear! (3)
16 Clasped at the heart – by *Cleopatra?* (3)
18 Take away the ground from under one's feet? (8)
19 Out when ball hit to leg (2,6)
20 Project not to give up (5,3)
22 A lust that's understood (6)
23 Save cash (6)
24 Unions strangely in agreement (3)
25 Transport in Naples breaking down (6)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 23, marked Monday Crossword 8,709 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 27. Please allow 21 days for delivery of prizes.

Name..................................

Address..................................

Winners 8,697

Rosalind Hadden, Portadown, County Armagh
J.B. Cowperthwait, Greenwich, Connecticut, USA
J. Mackie, Firfields, Weybridge, Surrey
M.D. Morrice, Guildford, Surrey
A. Polakowski, Mold, Clwyd
T.A. Veitch, Cranbrook, Kent

Solution 8,697

JOTTER PAD